



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

A large, full-page background image showing a vast, bright blue ocean with white-capped waves under a clear blue sky with scattered white clouds. The horizon line is visible in the distance.

Annual Report 2016

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- I. **The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm that information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.**
- II. **All Directors of the Company attended the 35th meeting of the eighth session of the Board held on 31 March 2017, of which Mr. Han Guangde, Chairman, and Mr. Chen Zhongqian, deputy Chairman, both appointed Mr. Chen Liping, executive Director, to attend and vote on their behalf. The annual report for 2016 was unanimously approved at the meeting.**
- III. **ShineWing has audited this annual report and issued standard audit report without qualifying opinions.**
- IV. **Han Guangde, the person in charge of the Company, Chen Qiongxiang, the Accounting Director and Xie Weihong, Accounting Manager (accountant in charge), have declared that they guarantee the trueness, accuracy and completeness of the financial statements contained in this annual report.**
- V. **Profit distribution proposal or proposal for capitalisation of capital reserves of the Company for the reporting period considered by the Board**

Based on the total share capital of the Company of 1,413,506,378 shares, a cash bonus of RMB0.16 (inclusive of tax) for every 10 shares is proposed for distribution to all shareholders, totalling RMB22,616,102.05 (inclusive of tax). The remaining undistributed profit will be carried forward to next year. The Company will not increase its share capital by way of capitalisation of reserves for the year. This profit distribution proposal is subject to the approval at the 2016 annual general meeting.
- VI. **This annual 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.**
- VII. **No controlling shareholder or related party of the Company has misappropriated funds of the Company and no guarantee has been provided by the Company in violation of the required decision-making procedures.**
- VIII. **This annual report is prepared in both Chinese and English. In case of discrepancy, the Chinese version shall prevail.**

I. DEFINITIONS

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

Definitions of Frequently Used Terms

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

II. IMPORTANT RISK WARNINGS

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

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

I. COMPANY INFORMATION

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

II. CONTACT PERSON AND METHODS

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

III. GENERAL INFORMATION

Registered address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Zip code	510382
Office address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Postal code of the office address of the Company	510382
Website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn

IV. CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. INFORMATION OF THE COMPANY'S SHARES

Information on the Company's shares

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

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name Office address Names of signing accountant	ShineWing 8/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing Liang Xiaoyan, Song Yong
Accounting firm engaged by the Company (overseas)	Name Office address Names of signing accountant	ShineWing 8/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing Liang Xiaoyan, Song Yong
Financial advisor performing continuous monitoring and guidance duties during the reporting period	Name Office address Signing officers of financial advisors Period of continuous monitoring and guidance	CITIC Securities Company Limited A/F, Merchants Bank Tower, No. 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province Zhu Yexin, He Yang the period from 1 January 2016 to 31 December 2016
Legal adviser appointed by the Company (domestic)	Name Office address	ETR Law Firm 7/F, Guangzhou Bank Building, 30 Zhujiang Road East, Zhujiang New Town, Guangzhou
Legal adviser appointed by the Company (overseas)	Name Office address	Herbert Smith Freehills 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share registrar and transfer office	A shares	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
	H Shares	Hong Kong Registrars Limited
	Office address	17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

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

(i) Major accounting data

Unit: Yuan Currency: RMB

Major accounting figures	2016	2015	Change (%)	2014
Operating income	23,349,604,897.69	25,519,239,791.42	-8.50	21,046,990,626.80
Net profit attributable to shareholders of the Company	71,224,250.43	98,320,709.38	-27.56	423,698,774.72
Net profit attributable to shareholders of the Company after deduction of exceptional items	-95,996,520.60	-1,619,637,867.68	Not applicable	-605,663,205.66
Net cash flows from operating activities	-3,761,073,635.17	-1,058,252,073.77	Not applicable	106,457,757.60
	At the end of 2016	At the end of 2015	Changes over the same period of the preceding year (%)	At the end of 2014
Net assets attributable to shareholders of the Company	10,347,803,098.94	10,318,048,242.46	0.29	8,662,233,821.71
Total assets	46,268,585,829.63	48,995,954,305.21	-5.57	43,741,099,087.43

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

(ii) Key financial indicators

KEY FINANCIAL INDICATORS	2016	2015	Change (%)	2014	2013	2012
Basic earnings per share (RMB/share)	0.0504	0.0709	-28.91	0.3253	0.0382	0.0161
Diluted earnings per share (RMB/share)	0.0504	0.0709	-28.91	0.3253	0.0382	0.0161
Basic earnings per share after deduction of exceptional items (RMB/share)	-0.0679	-1.2291	Not applicable	-0.6487	-0.2553	-0.0600
Weighted average return on equity (%)	0.69	0.99	Decrease of 0.30 percentage points	4.46	0.65	0.25
Weighted average return on equity after deduction of exceptional items (%)	-0.93	-17.86	Increase of 16.93 percentage points	-11.30	-4.01	-0.94

VIII. MAJOR FINANCIAL DATA OF 2016 BY QUARTER

Unit: Yuan Currency: RMB

Financial data	First quarter (January to March)	Second quarter (April to June)	Third quarter (July to September)	Fourth quarter (October to December)
Operating income	4,337,542,284.61	7,022,406,004.18	5,708,371,900.97	6,281,284,707.93
Net profit attributable to shareholders of the Company	1,035,997.51	36,036,742.14	-30,468,329.72	64,619,840.50
Net profit attributable to shareholders of the Company, net of exceptional items	-59,136,993.41	-8,096,332.62	-85,146,930.33	56,383,735.76
Net cash flow from operating activities	-1,706,305,503.87	-2,042,212,231.80	-2,168,115,948.35	2,155,560,048.85

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

IX. EXCEPTIONAL ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Exceptional items	Amount of 2016	Note (where applicable)	Amount of 2015	Amount of 2014
Profits or losses from disposal of non-current assets	-8,419,716.70		-3,211,071.04	-216,843.97
Documents approved by whom exceeded the authority or non-officially approved, or return and reduce of tax occasionally	-			-
Government subsidy included in profit and loss for the period, except for those closely relevant to normal business of the company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standard	125,739,665.59		192,692,782.78	59,236,732.79
Capital occupation fee received from non-financial entities included in profit or loss for the current period	-			-
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures	-			-
Profit or loss from exchange of non-monetary assets	-			-
Profit or loss from entrusted investments or asset management	75,873,758.87		34,828,675.78	-
Provision for impairment on assets due to force majeure events, such as natural disasters	-			-
Profit and loss from debt restructuring	-			-
Corporate restructuring costs, such as employee relocation expenses and integration costs	-			-
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value	-			-
Net gains and losses from subsidiaries, consolidated under common control, for the period from beginning of the year to consolidation date	-		-36,332,145.48	310,099,331.01
Profit or loss from other contingencies which are not related to the Company's normal operations	-			-
Gains or Losses from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operation	14,222,799.15		-196,831,173.89	-55,660,753.13
Reversal of provision for impairment for receivables that had been subject to individual impairment assessment	106,000.00		349,110.49	
Profit or loss from entrusted loans	-			-
Profit or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement	-			-
Effect of one-time adjustment to profit or loss for the current period according to the requirements of tax and accounting laws and regulations on profit or loss for the current period	-			-
Entrusted fee income from entrusted operations	-			-
Other non-operating profits and losses apart from above items	-60,166,333.22		4,617,023.08	561,242,962.82
Other profit and loss items falling within the definition of exceptional items	26,896,200.00		2,054,974,131.69	331,997,753.15
Effect of non-controlling interests	-241,527.82		-805,077.83	-706,896.35
Effect of income tax	-6,790,074.84		-331,974,568.03	-176,979,416.43
Total	167,220,771.03	-	1,717,958,577.06	1,029,361,980.38

Note: Other profit and loss items falling within the definition of exceptional items represent the gain on disposal of long-term equity investments.

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

X. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on current profit
1. Financial assets at fair value through profit or loss	13,063,411.11		-13,063,411.11	-602,141.74
2. Available-for-sale financial assets	3,517,862.88	3,151,874.04	-365,988.84	149,621.74
3. Financial liabilities at fair value through profit or loss	-181,241,917.70		181,241,917.70	14,824,940.89
Total	-164,660,643.71	3,151,874.04	167,812,517.75	14,372,420.89

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

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

(1) Principal activities of the Company

COMEC is a large comprehensive marine and defence equipment enterprise group incorporating four sectors of maritime equipment being maritime defence equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. Currently, the Company has three wholly-owned subsidiaries, namely GSI, Huangpu Wenchong and GSI Yangzhou, and their principal activities include shipbuilding, marine engineering, steel structure and electromechanical products. Their products cover platforms marine products including military ships, special supporting ships, public service ships, oil tankers, feeder container ships, Ro-ro passenger ships, semi-submerged ships and polar module carriers, offshore platform, as well as non-ship products including steel structures and sets of electromechanical equipment.

(2) Business model

As a holding company, COMEC currently focuses on asset operation and investment management. Its subsidiaries conduct independent production and operation and are engaged in manufacturing and providing customers with high-quality products through research and development of ships, seeking orders and implementing customised order production. During the reporting period, the Group's business model has not changed.

(3) Analysis of change in factors driving business revenue

During the reporting period, the Company delivered 55 ships and realized operating income of RMB23,350 million, representing a year-on-year decrease of 8.50%. It obtained shipbuilding orders amounting to RMB22,000 million, representing a year-on-year decrease of 4.79%, mainly due to the market environment of continued downturn in the shipbuilding industry and decreasing prices for new ships.

(4) Industry overview

In 2016, 539 ships with 27,418,000 DWT were delivered around the world, representing year-on-year decreases of 60.3% and 75.7%, respectively, hitting a 20-year low. The shipping market suffered extreme worse conditions and BDI index hit a record low. By ship type, three major types of ships suffered from varied downturn in 2016, with the decreases in new ship prices ranging from 6% to 10%. For details of the industry, please refer to section IV of this report.

The Group is the most important production and support facility of military ships, special supporting ships and public service ships of the PRC navy in southern China, and the largest and strongest production base of dredging engineering ships and feeder containerships in the PRC in terms of civil products. As for full range of oil tanker products, the Group occupies the leading position in the PRC and is at the first-class level in the world. Its ro-ro passenger ships, semi-submerged ships and polar module carriers enjoy great reputation in the shipbuilding and high-end building steel structure market.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

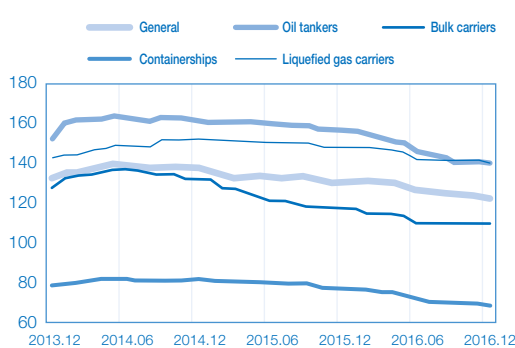
- (1) Product advantage. COMEC is a large comprehensive marine and defence equipment enterprise group incorporating four sectors of maritime equipment being maritime defence equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. After years of development, the Company has accumulated product advantages in respect of military ships, civil ships, marine and other business. As for key products, COMEC continued its research and development and innovations by improving its original ship type, design and process and improving the performance of its products in view of market changes and customers' needs in order to better meet the needs of its customers. In addition, it extended product offering based on its products with competitive strengths to create product series in order to actively guide the market and deeply explore and meet customers' needs.
- (2) Technical advantage. Both GSI and Huangpu Wenchong are hi-tech enterprises in the PRC and own national enterprise technical centers. As at the end of 2016, the Group had obtained 636 patents and owned over 2,300 designers. With commitments to self-development, the Company developed multiple types of new green, energy-saving and environment-friendly ships such as like oil tanker, chemical cargo ship, ro-ro ship, ro-ro passenger ship, semi-submerged ship, pipe laying and lifting ship and large rescue ship. With multiple technical indicators leading in the industry, the Company's ship research and development, design and building technology has reached the world's advanced level, providing technical support for the Company's operation and development.
- (3) Brand advantage. For civil products, the Group enjoys great reputation in the global ship industry. GSI is known for manufacturing ships such as handy-size tankers and semi-submerged ships, and has developed polar module carriers and polar condensate tankers based on its semi-submerged ships, which can sail through icy area by breaking ice. Huangpu Wenchong occupies leading position in terms of multi-purpose deepwater survey ships, platform supply ships and dredging ships. In terms of military products, the Group is the most important production and support facility of military ships and special supporting ships of the PRC navy in southern China, the largest manufacturer of military auxiliary ships in the PRC, and an important public service ship manufacturer in the PRC.
- (4) Market advantage. The Group's principal business and products have high market share in domestic and overseas markets. In particular, it occupies the leading position in the world in terms of tankers, semi-submerged ships, ro-ro passenger ships and dredging engineering ships and the leading position in the PRC in terms of military ships, public service ships, over 1,000 ton maritime police ship series a new generation of large ocean rescue ships. Its R550-D drilling platform is currently one of the most effective platforms built in the PRC.

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

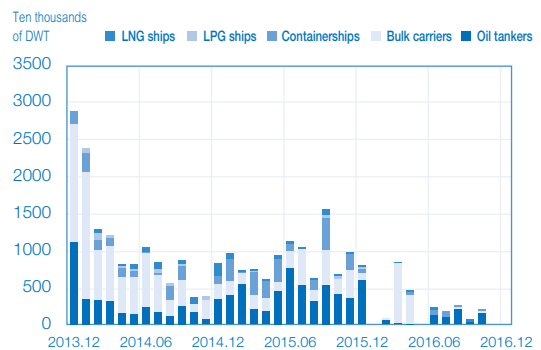
I. MANAGEMENT'S DISCUSSION AND ANALYSIS

(1) Development of the shipbuilding market in 2016

The global shipbuilding market continued to show a downturn trend. According to China Ship Industry Economy and Market Research Center, the global shipbuilding market experienced extreme conditions in 2016. For the prices of new ships, the market demand for new ships shrank and competition intensified, which had materially impacted the bargaining power of shipyards. Throughout the year, the prices of new ships showed a downward trend. As at 31 December 2016, the ClarkSea Index dropped to 123 points, lower than the lowest record of 126 following the financial crisis in 2008. For new ship orders, there were only orders for 539 ships with 27,418,000 DWT in the year. The contractual DWT decreased significantly by 75.7% from 2015, a record low of 20 years. Among the major shipbuilders, the volume of new orders received in China, Japan and Korea were 16,170,000 DWT, 4,100,000 DWT and 5,840,000 DWT, respectively, representing year-on-year decreases of 51%, 89% and 83%, respectively. As at the end of December 2016, the volume of global orders in hand was 223,322,000 DWT, representing a year-on-year decrease of 26.3%. Among the major shipbuilders, the volume of orders in hand of China, Japan and Korea were 95,947,000 DWT (accounted for 43%), 59,192,000 DWT (accounted for 26.5%) and 50,280,000 DWT (accounted for 22.5%), respectively.



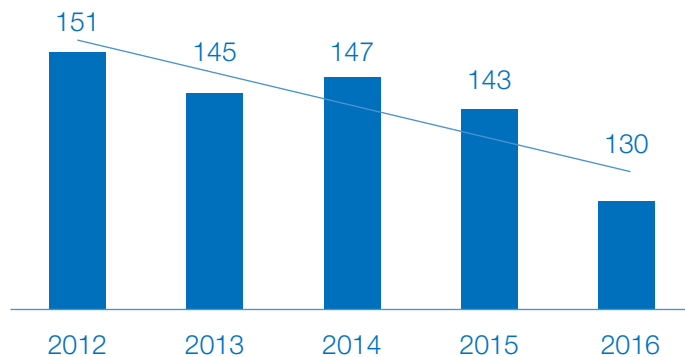
Clarkson Newbuilding Price Index



World New Shipbuilding Orders

National policies tend to support larger and stronger enterprises to further reduce excessive production capacity. According to the "Action Plan for Deepening Structural Adjustment and Accelerating Transformation and Upgrading for the Shipbuilding Industry (2016-2020)", being the "13th Five-Year Plan" for the shipbuilding industry, China strives to become a world shipbuilding power and an advanced country for offshore engineering equipment manufacturing by 2020. In particular, the government requires to eliminate excessive production capacity, strengthen the supervision and management of enterprises meeting industry norms, and dynamically adjust the Whitelist for the shipbuilding industry in order to promote the transformation and liquidation and reorganisation of backward enterprises. It also vigorously supports strong enterprises in improving productivity and lowering cost. China's efforts to reduce production capacity for the shipbuilding market in 2016 were fruitful. According to China Ship Industry Economy and Market Research Center, there were 130 active shipyards as at the end of 2016, representing a decrease of 14% compared to 151 in 2012. In light of the orders in hand of shipbuilders and market development, the number of active shipyards will further decrease in 2017.

Active Manufacturers



(2) Operation of the Group

In 2016, amid continued downturn in the global shipbuilding market, fierce domestic and overseas competition, decrease in new shipbuilding orders secured in China and continuous pressure on the profitability of domestic shipbuilding enterprises, the Group had a clear understanding of the situation, dared to face the pressure and strived to seek breakthroughs. By focusing on increasing military strengths and improving production efficiency, the Company made strong efforts in adjusting structure, changing development model and maintaining stable operating income. Notwithstanding the declined operational results, the Company's core shipbuilding business maintained a good space in general. Its product mix became more reasonable, and the volume of orders secured and total orders in hand were approximate to those of last year, ensuring the normal sustainable development of the Group.

1. In 2016, the operating income of the Group amounted to RMB23.35 billion, representing a decrease of 8.50% compared with last year; total profit amounted to RMB119 million, net profit attributable to the shareholders of the Company amounted to RMB71,224,300, representing a decrease of 27.56% compared with last year.
2. Steady growth of core shipbuilding business. In 2016, the shipbuilding industry continued to face the situations of "being difficult to deliver ships, hard to secure orders and hard to achieve profitability". Against such background, the Group continued to strengthen its production and operation management and fully improve the quality and performance. During the reporting period, the Group secured shipbuilding orders for 52 ships/1,546,200 DWT. For military products, the Company always adheres to its mission as a central state-owned military enterprise and spares no efforts to protect the production of military products. For civil products, the Company continued to facilitate the transforming and upgrading of its civil products. Breakthroughs were made during its production and operation of civil products, making positive contribution to maintaining its operating income.
3. Major breakthroughs in technological innovations. During the reporting period, the Group continued to strengthen the combination of technology and production and operation and enhanced the driving and leading role of technological innovations. During the year, the Group completed the development of 23 models, including R-550PA jack-up platform and J180A jack-up living platform which are suitable for operation in the North Sea, obtained 140 patents, commenced 102 new research and development projects, received additional government subsidies for research and development of RMB131,270,000.
4. Diversified and optimised business presence. During the reporting period, the Company further promoted the supply side structure reform and diversified and optimised its business presence by leveraging its own strengths. First, it continued to promote the transformation and upgrading of its marine products by building polar deck ships, 100,000-ton semi-submersible ships, luxury Ro/Ro passenger ships and offshore platform, which have strong influence and optimised its product mix. Second, it strengthened the efforts in the mutual conversion and research and development of military and civil technologies and products, and its development of military and civil products realized their mutual promotion. Third, it accelerated the development of non-shop business by focusing on expanding steel structure business and improving its influence in the high-end steel structure market.

In general, as the first military product company with both A shares and H shares listed, COMEC has substantially established its six major advantages, being convenient financing platform, leading core products and technology, good customer services, high performance price ratio of products, craftsman spirit inheritance and deep integration of military and civil products. During the period for the shipbuilding market, the Group will continue to maintain its enthusiasm for reforms and innovations and adhere to its five major development concepts of "innovation, coordination, green, open and sharing", so as to maintain the sustainable development of the Group and create values for shareholders.

II. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

During the reporting period, the Group completed 55 ships/2,186,100 DWT, realised operating income of RMB23.35 billion, a decrease of 8.50% compared with last year, total profit of RMB119 million, net profit attributable to the shareholders of the Company of RMB71 million, a decrease of 27.56% compared with last year; shipbuilding orders of RMB22 billion, basically remaining the same level as that of 2015.

(i) Analysis of principal business

Analytical Statement On Changes of Related Items in Income Statement and Cash Flow Statement

Unit: Yuan Currency: RMB

Item	Current year	Corresponding period of last year	Change (%)
Operating income	23,349,604,897.69	25,519,239,791.42	-8.50
Operating costs	21,713,708,013.17	24,821,158,371.84	-12.52
Selling expense	116,743,820.71	210,814,276.68	-44.62
Administrative expense	1,395,560,018.97	1,453,253,072.82	-3.97
Finance cost	-17,946,547.67	336,489,851.01	Not applicable
Net cash flows from operating activities	-3,761,073,635.17	-1,058,252,073.77	Not applicable
Net cash flows from investing activities	5,792,949,478.11	192,912,258.77	2,902.89
Net cash flow from financing activities	-1,806,734,376.67	1,527,227,165.86	Not applicable
Research and development expense	656,726,952.16	769,697,455.10	-14.68

SECTION IV REPORT OF THE BOARD

1. Analysis of income and cost

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

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

Unit: Yuan Currency: RMB

Principal businesses by industry						
By industry	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
-	-	-	-	-	-	-
Principal businesses by product						
By product	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Shipbuilding business	18,754,775,750.13	17,849,283,111.95	4.83	4.97	-1.36	Increase of 6.11 percentage points
Offshore engineering business	2,577,790,855.88	2,190,171,776.63	15.04	-53.88	-55.33	Increase of 2.77 percentage points
Ship maintenance business	384,298,812.73	305,032,157.86	20.63	18.21	12.02	Increase of 4.39 percentage points
Steel structure engineering	900,321,575.21	803,930,677.36	10.71	2.57	-2.75	Increase of 4.89 percentage points
Electromechanical products and others	460,031,777.87	347,798,031.08	24.40	-21.56	-32.88	Increase of 12.75 percentage points
Principal business by region						
By region	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
China (including Hong Kong, Macau and Taiwan)	15,938,941,577.42	14,710,069,491.33	7.71	3.78	5.06	Decrease of 1.12 percentage points
Other regions in Asia	1,670,867,043.34	1,649,228,596.61	1.30	22.28	3.91	Increase of 17.45 percentage points
Europe	4,691,379,889.36	4,386,680,409.29	6.49	-26.50	-32.48	Increase of 8.27 percentage points
Oceania	592,565,668.85	573,690,921.80	3.19	-67.42	-73.35	increase of 21.57 percentage points
North America	15,518,639.24	19,627,963.40	-26.48	-93.86	-91.96	Decrease of 29.79 percentage points
Africa	167,945,953.61	156,918,372.45	6.57	178.83	22.65	Increase of 118.97 percentage points
South America	-	-	-	-100.00	-100.00	
Total	23,077,218,771.82	21,496,215,754.88	6.85	-8.59	-12.67	Increase of 4.36 percentage points

Description of principal business by industry, product and region

During the reporting period, the Group's income from principal businesses amounted to RMB23,077 million, representing a decrease of 8.59% compared with last year; gross profit from principal businesses amounted to RMB1,581 million, representing an increase of 151.03% compared with last year, mainly due to the increase in gross profit from shipbuilding, ship maintenance and steel structure products compared with last year.

As for product mix, the percentage of income from marine business remained stable at 92% to 93% of total income in both years. Shipbuilding business contributed 81.27% of income, representing an increase of 10.50 percentage points compared with last year; offshore engineering business contributed 11.17% of income, representing a decrease of 10.97 percentage points compared with last year; the percentage of income from ship maintenance, steel structure and electromechanical products remained substantially flat with last year.

(1) Shipbuilding business

During the period, income from shipbuilding business amounted to RMB18,755 million, representing an increase of 4.97% compared with last year, mainly due to the change in product mix and the higher percentage of products with high added-value.

(2) Offshore engineering business

During the period, income from offshore engineering business amounted to RMB2,578 million, representing a decrease of 53.88% compared with last year, mainly due to the decrease in products under construction as a result of the global offshore engineering equipment environment.

(3) Ship maintenance business

During the period, income from ship maintenance business amounted to RMB384 million, representing an increase of 18.21% compared with last year, mainly due to the fact that the Company explored potential for ship maintenance business and expanded into ship modification and full life support business, as well as further improvement in its shipbuilding business capability.

(4) Steel structure engineering business

During the period, income from steel structure engineering business amounted to RMB900 million, representing an increase of 2.57% compared with last year, mainly due to higher income recognised from projects completed during the period.

(5) Electromechanical products and other business

During the period, income from electromechanical products and other business amounted to RMB460 million, representing a decrease of 21.56% compared with last year, mainly due to the decrease in sales of shearing press, elevators and reclaimers due to sluggish market sentiment.

By geographic region, operating income from China (including Hong Kong, Macau and Taiwan) increased by 3.78% and operating income from overseas markets decreased by 27.80% compared with last year. The Group will actively respond to the adverse effects of slow recovery of the shipbuilding market and go all out to develop domestic and overseas markets.

(2). Analysis of production and sales volume

Principal product	Production volume	Sales volume	Inventory volume	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory volume over last year (%)
Shipbuilding (ton)	2,046,100	2,046,100	0	-26.04	-26.04	0
Offshore engineering (ton)	565,500	565,500	0	150.33	150.33	0
Steel structure engineering (ton)	47,744	47,744	0	-23.22	-23.22	0
Electromechanical products						
Including: Shearing press (unit)	510	589	29	-30.80	-7.54	-73.15
Elevators (unit)	536	536	0	-2.55	-2.55	0

Description of production and sales volume

For offshore engineering business, production volume and sales volume increased by 150.33% year-on-year during the reporting period, mainly because in 2016 the Group produced offshore engineering products with large tonnage such as 5,000T semi-submerged ships and large deepwater comprehensive survey ships; for electromechanical products, production volume of shearing presses decreased by 30.80% year-on-year during the reporting period, mainly due to high inventory and market environment.

SECTION IV REPORT OF THE BOARD

(3). Cost analysis

Unit: RMB in ten thousand

By industry							
Product	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount in the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
-	-	-	-	-	-	-	-
By product							
Product	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount in the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
1. Shipbuilding business	Direct materials	1,180,314.18	54.91	1,277,449.61	51.90	-7.60	Increase in production
	Processing costs	658,681.56	30.64	575,956.82	23.40	14.36	Increase in production
	Impairment loss	-54,067.43	-2.52	-43,936.18	-1.78	23.06	Provision for impairment written off
2. Offshore engineering business	Direct materials	134,580.14	6.26	332,912.99	13.52	-59.57	Decrease in production
	Processing costs	85,164.77	3.96	159,347.23	6.47	-46.55	Decrease in production
	Impairment loss	-727.73	-0.03	-1,938.31	-0.08	-62.46	Provision for impairment written off
3. Ship maintenance business	Direct materials	11,095.24	0.52	11,983.50	0.49	-7.41	Increase in production
	Processing costs	19,407.98	0.90	15,245.52	0.62	27.30	Increase in production
	Impairment loss	-	-	-	-	-	-
4. Steel structure engineering	Direct materials	39,738.00	1.85	30,976.56	1.26	28.28	Decrease in products
	Processing costs	40,655.07	1.89	51,689.95	2.10	-21.35	Decrease in products
	Impairment loss	-	-	-	-	-	-
5. Electromechanical products and others	Direct materials	10,214.67	0.48	24,606.94	1.00	-58.49	Decrease in products
	Processing costs	24,565.13	1.14	28,564.54	1.16	-14.00	Decrease in products
	Impairment loss	-	-	-1,354.09	-0.06	-100.00	Provision for impairment written off

(4). Information on major customers and major suppliers

Sales to five largest customers amounted to RMB11,201,193,900, representing 48.54% of total annual sales, of which sales to related parties were RMB1,618,722,500, representing 7.01% of total annual sales.

Procurement from five largest suppliers amounted to RMB5,289,986,500, representing 24.61% of total annual procurement cost, of which procurement from related parties was RMB4,518,252,100, representing 21.02% of total annual procurement cost.

2. Expenses

During the reporting Period, the Group's total expenses amounted to RMB1,494 million, representing a decrease of 25.30% from last year, details of which are as follows:

- (1) Selling expenses during the period were RMB116,740,000, representing a decrease of 44.62% from last year, mainly due to decrease in revenue for the year compared to last year, decrease in provision made for ship maintenance fees based on the revenue for the year, and the entering into of maintenance termination agreements with ship owners during the year to offset the balance of ship maintenance fees for which the warranty period has expired;
- (2) Administrative expense during the period was RMB1,395,560,000, representing a decrease of 3.97% from last year, mainly because taxation, such as property tax, vehicle usage tax and stamp tax, for the period from May 2016 to December 2016 were included in taxes and surcharges in accordance with the Circular Cai Kuai [2016] No. 22;
- (3) Finance cost during the period was RMB-17,950,000, representing a decrease of RMB354,440,000 from last year, mainly due to increase in exchange gains arising from change in exchange rates.

3. Research and development expense

Research and development expense

	<i>Unit: RMB</i>
Research and development expense recorded in expenses during the period	656,726,952.16
Research and development expense capitalised during the period	0
Total research and development expenses	656,726,952.16
Percentage of total research and development expenses over operating income (%)	2.81
Number of research and development staff	1,977
Number of research and development staff over total number of staff (%)	9.4
Percentage of research and development expense capitalised (%)	0

Description

During the reporting period, the Group actively pushed forward technological innovations and deeply explored its technological potential. As a result, its overall technological research and development capability continued to improve, with a total of 172 technological research and development projects, including 81 key technological research and development projects for the year. In respect of external projects, the cooperation with scientific research institutes was strengthened. In addition, in light of the requirements for the strategic transformation of the Company, the efforts put in and support for maritime engineering equipment, polar ships, semi-submersible engineering ships, luxury Ro/Ro passenger ships, next-generation energy-saving and environmentally-friendly ships and non-ship products was reinforced.

4. Cash flows

During the reporting period, net cash flow from operating activities of the Group amounted to RMB-3,761 million, representing a year-on-year decrease of RMB2,703 million, mainly due to poor collection of receivables for civil ship contracts, decrease in advances for ship progress fees, and collection mainly concentrated around ship delivery. Net cash flow from investing activities amounted to RMB5,793 million, representing a year-on-year increase of RMB5,600 million, mainly due to the combined effect of release of time deposit pledge, investment in wealth management products and infrastructure expense. Net cash flow from financing activities amounted to RMB-1,807 million, representing a year-on-year decrease of RMB3,334 million, mainly due to repayment of borrowings, payment of dividends and interest.

SECTION IV REPORT OF THE BOARD

(ii) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Change of amount at the end of current period compared with that of the end of last period (%)	Description
Monetary funds	12,347,969,978.26	26.69	17,664,365,754.92	36.05	-30.10	Repayment of borrowings and decrease in project payment
Financial assets at fair value through profit or loss	-	0.00	13,063,411.11	0.03	-100.00	Full settlement of outstanding forward exchange contracts during the period, and no new contracts had been entered into
Notes receivable	122,945,274.57	0.27	21,097,180.25	0.04	482.76	Increase in receipts of bank acceptance bills
Dividends receivable	-	0.00	635,116.05	0.00	-100.00	Payment of dividend declared for previous years by associates
Other receivables	72,448,156.82	0.16	694,376,182.24	1.42	-89.57	Receipt of remaining balance of the consideration from Shanghai Lingxiang for the transfer of equity interest in Guangzhou Shipyard Shipping Co., Ltd. in 2015
Other current assets	1,892,964,428.05	4.09	845,000,000.00	1.72	124.02	Transfer of debit balance of taxation payable – value-added tax to this item in accordance with the Circular Cai Kuai [2016] No. 22; decrease in wealth management products due within one year compared to last year
Long-term receivables	478,791,643.97	1.03	356,141,245.87	0.73	34.44	Increase in receipt in installments for sale of goods of Wenchong Shipyard, a subsidiary of the Company
Other non-current assets	1,001,361,563.30	2.16	300,000,000.00	0.61	233.79	Increase in the amount of wealth management products for which agreements had been entered into with CSSC Finance
Short-term borrowings	445,636,500.54	0.96	6,746,671,403.20	13.77	-93.39	Repayment of borrowings
Financial liabilities at fair value through profit or loss	-	0.00	181,241,917.70	0.37	-100.00	Full settlement of outstanding forward exchange contracts during the period, and no new contracts had been entered into
Employee benefits payable	59,354,143.31	0.13	35,838,830.14	0.07	65.61	Provision made by subsidiaries for bonus for the year 2016
Taxes payable	127,111,097.76	0.27	-1,122,743,774.34	-2.29	-111.32	Transfer of debit balance of taxation payable – value-added tax to other current assets in accordance with the Circular Cai Kuai [2016] No. 22
Interest payable	11,109,426.83	0.02	21,533,573.71	0.04	-48.41	Decrease in interest rate of loans and decrease in the average balance of loans
Dividends payable	3,806,004.54	0.01	256,103,771.17	0.52	-98.51	Payment of dividend for the period before completion of transfer in 2015 of RMB255 million by Huangpu Wenchong, a subsidiary of the Company, to CSSC
Other payables	358,190,436.06	0.77	245,194,170.01	0.50	46.08	Increase in deposit and balance
Non-current liabilities due within one year	5,675,200,000.00	12.27	1,777,500,000.00	3.63	219.28	Reclassification of long-term borrowings to this item
Special payables	1,390,339,744.58	3.00	984,839,744.58	2.01	41.17	Increase in national subsidies for infrastructure projects
Deferred income	67,514,328.51	0.15	260,320,055.21	0.53	-74.06	Reclassification of items relating to assets
Deferred tax liabilities	499,094.19	0.00	2,310,530.93	0.00	-78.40	Decrease in financial assets at fair value through profit or loss in the year

2. Major restricted assets at the end of the reporting period

As at the end of the reporting period, the Group had bank deposits pledged to secure borrowings, letters of guarantees/bills/letter of credit and term deposits with maturity of over 3 months amounting to RMB2,462,534,609.78 in total. The restrictions on ownership will be lifted after the relevant contracts have been fulfilled.

(iii) Analysis of investments

1. General analysis of external equity investments

In 2016, the balance of the Company's long-term equity investments amounted to RMB68.96 million, representing a decrease of 11.66% from last year.

(1) Significant equity investments

On 2 December 2016, Huangpu Wenchong established CSSC Huangpu Wenchong (Sanya) Ship Technology Co., Ltd. in Sanya, Hainan, with a registered capital of RMB8 million and place of registration of Sanya, Hainan Province. Its scope of business mainly includes research and development, design, manufacturing and maintenance of ships, metal structure manufacturing and engineering and technical advisory services. Huangpu Wenchong made capital contribution of RMB8 million in cash, holding its 100% equity interest.

On 30 May 2016, Guangzhou Shipyard International Company Limited ("GSI") invested in CSSC Liner Technology Development Co., Ltd. with cash contribution. CSSC Liner Technology Development Co., Ltd. was established in Pudong New Area, Shanghai with a registered capital of RMB200 million, and its scope of business mainly includes technical development, technical consulting and technical services in respect of liner design and related technical areas. GSI invested RMB20 million in cash and holds it 10% equity interest.

(2) Financial assets measured at fair value

The Group's financial assets measured at fair value include financial assets at fair value through profit or loss such as forward foreign exchange contracts and foreign option trading portfolio contracts, as well as available-for-sale equity instruments measured at fair value. As at the end of the reporting period, all forward exchange contracts and foreign exchange options trading portfolio contracts of the Group had been fully implemented.

(iv) Analysis of major subsidiaries and associates

Unit: RMB in ten thousand

Major subsidiaries:

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
Guangzhou Shipyard International Company Limited	Technical design, manufacture, repair of ships, electrical machinery, general machinery, steel structure.	272,000	100	2,082,324	559,909	-4,649
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	197,379	100	2,064,529	339,918	21,380
GSI Yangzhou Co., Ltd.	Manufacturing of ships, ship equipment, metal structures and electric motors	130,283	100	131,952	130,492	207

SECTION IV REPORT OF THE BOARD

Indirectly held subsidiaries:

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
Guangdong GSI Elevator Co., Ltd.	Production and sale of elevators	2,100	100	7,527	4,409	126
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Providing labour services, as well as installation, welding, derusting, and painting of ships	500	100	3,805	687	111
Guangzhou Hongfan Technology Co., Ltd.	Development of computer software, system integration, and hardware sales, etc.	500	51	4,542	3,424	736
Guangzhou Xingshun Marine Services Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	200	100	4,428	2,428	7
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	Designing, processing, installing and selling: auxiliary machines of ships, large-scale complete-set mechanical and electrical equipment, wind power generation equipment, shearing press, shield machine, hydraulic machinery, injection moulding machine, and metal structure	18,861	100	24,180	12,124	596
Guangzhou United Steel Structures Limited	Large steel structures	US\$8.85 million	100	36,899	14,234	1,286
Zhongshan GSI Marine Engineering Company Limited	Designing, processing, installing, manufacturing and selling: ships and auxiliaries (fishing use excluded), metal structures and components, general machines, cast and forged components, fiberglass, marine cables, marine pipelines, marine tools, furniture, mechanical equipment, and marine engineering equipment	70,000	100	90,494	41,145	-2,949
Glory Group Development Co., Ltd.	Trading	HK\$30 million	100	12,394	9,269	864
Fanguang Development Co., Ltd.	General trading	HK\$200,000	80	26,674	6,321	5,631
Fanguang (Macau) Development Single Person Co., Ltd.	General trading	MOP100,000	80	300	155	76
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Design, construction, renovation and repair of marine engineering vessels and platforms	5,000	100	1,956	1,149	31
Guangzhou Hongfan Hotel Co., Ltd.	Tourism and catering	11,940	100	13,930	11,903	85
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	52,018	100	413,092	61,903	-12,547
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	6,800	100	27,288	6,657	43

SECTION IV REPORT OF THE BOARD

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
Guangzhou Xinhang Human Resources Service Co., Ltd.	Human resources development and management consulting; professional intermediary services; personnel leasing; personnel training; personnel recommendation; labour dispatch services;	200	75	1,571	365	16
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	75	525	504	4
Guangzhou Longxue Properties Co., Ltd.	Property industry	150	66.67	23	19	1
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	80.50	616	278	22
Guangzhou Wenchong Zhonggong Co. Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	3,000	100	24,607	1,892	253
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	1,070	306	1
Guangzhou Longxue Pipe Co., Ltd.	Ferrous metal smelting and rolling industry	7,000	42.86	8,533	5,124	60

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

(i) Competition landscape and trend within the industry

1. Macro-economy

Looking ahead 2017, the road to global economic recovery will remain tortuous. As China's economic growth slows down, it will be a key period for the conversion of old driving forces to new ones. Despite the remarkable achievements made in respect of eliminating production capacity and gradual improvement in the supply and demand dynamics in 2016, the growth of investments, consumption and export is not promising in the long run, and China's economy still faces great downward pressure.

2. Industry development

In 2016, the global shipbuilding market further deteriorated, and major ship types all recorded poor performance, with the contract value of new shipbuilding orders reaching a record low of 20 years. In addition, due to the imbalanced supply and demand and the significant decrease in the prices of second-hand ships and resale ships, the prices of new ships showed a downward trend throughout the year. In general, as a result of global economic downturn, overcapacity in the shipping market, the ship and offshore engineering market faces imbalanced supply and demand and is in a period of in-depth adjustment. It is expected there will be no significant improvements and the downturn will continue in the near future.

Driven by government policies, the PRC shipbuilding industry ushered in new development opportunities in the cold period of market. Under the guidance of the relevant policies including "Made in China 2025", the "National Strategic Emerging Industry Development Plan for the 13th Five-Year Period" and the Belt and Road Initiative, the PRC shipbuilding and offshore engineering industry focuses on the supply side reform and strives to make breakthroughs driven by innovations, develop high-end equipment, eliminate backward production capacity and promote the transformation and upgrading of the industry, and develop green, environmentally friendly, safe, highly-efficient innovative ships.

(ii) Development strategies of the Company

The Group is committed to becoming a leading enterprise in the global marine and heavy equipment market with leading technologies and prominent services and a building and supporting facility for Chinese marine defence equipment. In the face of development opportunities and challenges brought by intensified industry consolidation and national industrial policies, the Group will actively take the initiative to adapt to the new normal of economic development by sticking to its corporate values of “mission, courage, passion and innovation” and focusing on “structure optimisation, deepening reform and innovations and development”. The Group will make full use of the “stabilizer” role of military products in the development of the Group and strengthen the product of military products in areas of strategic planning, technological innovation, military management and military culture. It will enhance the research of marine business by focusing on the development of polar module carriers, luxury RO/RO passenger ships and special ships and increasing the percentage of orders for these products, strive to increase the percentage of orders for ships with high technology and high added value and continue to promote the transformation and upgrading of its products and business. Through quality improvement and efficiency enhancement, the Group will continue to enhance operation management, improve production facilities, conduct orderly production capacity relocation to ensure smooth relocation of Liwan Plant, and strive to increase in production, shorten shipbuilding cycle and keep production cost under control. In addition, by following the principle of “modest and limited diversification into related industries”, the Group will accelerate the development of strong resources, and make new business grow stronger, better and bigger to provide new support for the Company to withstand market risks and improve economic performance.

(iii) Business plan

In 2016, the Group recorded operating income of RMB23,350 million, representing 89.89% of annual target for 2016; and secured orders with contract value of RMB22,044 million, representing 75.23% of annual target for 2016, both mainly due to the stagnant civil shipbuilding market.

In 2017, the Group plans to realize operating income of RMB22,400 million and secure orders with contract value of RMB23,100 million. In the meantime, the Group will strive to control its costs and expenses in order to maintain stable selling expense ratio and administrative expense ratio and improve the gross profit margin and profitability of its main products. To this end, the Group will continue to enhance production management, consolidate its internal sources and adjust its industrial planning, and actively respond to challenges in order to achieve its business plan for 2017.

The business objectives above do not represent the profit forecast of the Company for 2017, nor do they constitute undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investing risks.

(iv) Potential risks

1. Financial risk

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

- (1) Exchange rate risk. The Group's foreign currency orders are mostly denominated in US dollars, and some domestic ship orders are also denominated in US dollars and settled in Renminbi. 2016 was the first full year since the “8.11” exchange rate reform of last year. Following 2014 and 2015, it was the third year in which Renminbi depreciated against U.S. dollar. In 2016, RMB depreciated by almost 6.83% against U.S. dollar. It is expected the exchange rate environment will be more challenging in 2017. U.S. dollar will remain strong, and Renminbi will continue to be under pressure and show a trend of gradual depreciation. The Group's derivative financial instruments, accounts receivable, monetary funds, accounts payable, short-term loans, and other payables, etc., which are settled with USD and are subject to exchange rate risk, have been disclosed in the notes to financial statements respectively.
- (2) Interest rate risk. The Group's interest rate risk is derived from non-current borrowings. The loans granted at floating interest rate expose the Group to interest rate risk of cash flow, while the loans granted at fixed interest rate expose the Group to interest rate risk of fair value. The maturity of such loans has been disclosed in notes to financial statements.

For the extent of impact of change in exchange rate and interest rate on the Company, please refer to notes to financial statements.

2. Customer risk

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

3. Risk of human resources

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

(v) **Others**

1. Management contracts

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2016.

2. Environmental policies and performance

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

3. Compliance with laws and regulations

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

4. Relationship with stakeholders

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

By order of the Board
Han Guangde
Chairman

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

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

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

As considered and passed at the 35th meeting of the eighth session of the Board of the Company, the proposal for profit distribution of the Company for 2016 is as follows: the Group's net profit attributable to shareholders of the Company for 2016 was RMB71,224,250.43, and total undistributed profit of the Company for 2016 was RMB674,572,834.25. Based on the total share capital of the Company of 1,413,506,378 shares, cash bonus of RMB0.16 (inclusive of tax) for every 10 shares is proposed for distribution to all shareholders, totalling RMB22,616,102.05 (inclusive of tax). The remaining undistributed profit will be carried forward to next year. The Company will not increase its share capital by way of capitalisation of reserves for the year. This profit distribution proposal is subject to the approval at the 2016 annual general meeting. If approved, the dividend is expected to be paid to shareholders around Tuesday, 25 July 2017.

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

Unit: Yuan Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (tax inclusive)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to ordinary shareholders of listed company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to ordinary shareholders of the listed companies in the consolidated statement financial (%)
2016	0	0.16	0	22,616,102.05	71,224,250.43	31.75
2015	0	0.30	0	42,405,191.34	98,320,709.38	43.13
2014	0	0	0	0	151,496,768.77	0

II. FULFILMENT OF COMMITMENTS

(i) Undertakings made by Company, its actual controllers, shareholders, related parties, acquirers and other parties relating to undertakings during or up to the reporting period

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

SECTION V SIGNIFICANT EVENTS

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether have a deadline for performance	Whether strictly perform in a timely manner
Undertaking relating to the material asset reorganisation	Solving the defects on titles to lands	CSSC	Arrangements for supporting the relocation and upgrading of Huangpu Wenchong and Wenchong Shipyard. Pursuant to overall planning of Guangzhou Municipal Government, a land parcel of Huangpu Wenchong at Changzhou Street ("Changzhou Plant") and a land parcel located at Wenchong plant owned by Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard"), a subsidiary of Huangpu Wenchong, are no longer suitable for use in shipbuilding in accordance with the planning for the regions in which they are located, and will be recovered as reserve by Guangzhou Municipal Government. As such, in accordance with the relevant requirements for management of state-owned assets, these two parcels of land and buildings thereon will be transferred to Guangzhou Ship Industrial Company under CSSC for free. As for the transfer and subsequent matters, it was agreed as follows: 1. The transfer of land and buildings thereon was because the adjustment to urban planning caused these assets to be no longer suitable for incorporation into the Company. As such, in order to maintain normal production and operation of Huangpu Wenchong and Wenchong Shipyard, it was agreed that the land of Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, of which the ownership has been transferred to Guangzhou Ship Industrial Company under CSSC, will be leased to Huangpu Wenchong and Wenchong Shipyard for continued use, and the rent will be paid based on existing land amortisation, property depreciation and relevant taxes and expenses. In addition, CSSC will spare no efforts to facilitate Guangzhou Municipal Government in finalising the land for new plants and complete the relocation from Changzhou Plant and Wenchong Plant as soon as practicable. 2. Given there are certain granted land and properties without ownership certificates in Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, if such land or properties cannot continued to be utilised due to these arrangements, causing adverse impact to the production and operation of Huangpu Wenchong and Wenchong Shipyard, CSSC will actively coordinate in solving the issue and fully indemnify Huangpu Wenchong and Wenchong Shipyard in cash against any economic losses incurred. 3. CSSC will actively assist Huangpu Wenchong and Wenchong Shipyard in future communication with Guangzhou Municipal Government in compensation for the relocation.	Made on 31 October 2014	No	Yes
	Others	CSSC	1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to removal, transportation and installation of some of the assets to be demolished due to relocation shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard; 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, the Company will make full supplements in cash within 90 days after relevant government compensation is in place.	Made on 3 March 2015	No	Yes

Note: The 345,940,890 H shares subscribed by CSSC (Hong Kong) Shipping Company Limited can be traded or transferred since 10 February 2017.

SECTION V SIGNIFICANT EVENTS

III. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: Yuan Currency: RMB

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

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

Note on appointment and dismissal of accounting firms

- (i) It was considered and passed at the first extraordinary general meeting of the Company for 2016 that, ShineWing was re-appointed as the Company's domestic and international financial report auditor. As at 31 December 2016, ShineWing had provided audit services for the Company for 6 years successively. The financial statements in the Company's Annual Report 2016 were prepared according to the Accounting Standards for Business Enterprises of the PRC, and audited by ShineWing; and for this, the Company paid RMB2.1 million (inclusive of tax) to the auditor as remuneration for its annual audit work. The audit report in the Company's Annual Report 2016 was signed by CPAs Ms. Liang Xiaoyan and Mr. Song Yong. ShineWing will retire upon expiry of term and offer themselves for re-appointment.
- (ii) It was considered and passed at the 30th meeting of the eighth session of the Board of Directors that, the Company re-appointed ShineWing as the Company's internal control auditor in 2016. The Company's annual internal control self-evaluation report for 2016 has been audited by ShineWing, and for this, the Company has paid RMB500,000 (inclusive of tax) to it as remuneration for its annual audit work.

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

IV. MATERIAL LITIGATIONS AND ARBITRATIONS

- (i) **Litigations and arbitrations that have been disclosed in temporary announcement with no further progresses**

Summary and type of events

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 2014. Following the suspension of execution of the case, the Company completed the filing of creditor's right and priority in receiving payment. During the reporting period, the bankruptcy assessment procedure had not been completed and there was no new progress.

Save as disclosed, the Company had neither been engaged in any material litigation or arbitration nor subject to any doubts by media during the reporting period.

Index for details

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) Other descriptions

- (1) Disclosure has been made in the third quarterly report of COMEC for 2016 published 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 29 October 2016 for the case of GSI, a wholly-owned subsidiary of the Company, versus HENGHOU INVESTMENT (HONGKONG) LIMITED (“HENGHOU”) in relation to a construction contract. On 1 December 2016, GSI and HENGHOU reached an agreement in relation to the repurchase of 13121015/16 ships. The parties confirmed that the contract had lapsed and been terminated and that the cases and arbitrations brought by each party against the other party had been revoked. The parties entered into a ship resale agreement on 9 December 2016, subject to the payment by HENGHOU of performance bond amounting to US\$5 million each ship by 15 December 2016. GSI had received such performance bond on 15 December 2016, and the ship resale agreement has become effective since then. Currently 13121015/16 ships are under construction.
- (2) Disclosure has been made in the third quarterly report of COMEC for 2016 published 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 29 October 2016 for the case of Huangpu Wenchong, a wholly-owned subsidiary of the Company, versus KC Maritime Limited, a ship owner, and its 4 single ship subsidiaries in relation to a construction contract dispute. During the reporting period, the case was still in the process of trial and there was no new progress.

V. MATERIAL CONNECTED TRANSACTIONS**(i) Connected transactions related to daily operation**

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

The Company's financial report auditor and directors (including four independent non-executive directors) have reviewed the routine connected transactions and confirm that such transactions are conducted in the Company's ordinary course of business on normal commercial terms and in accordance with related contractual provisions; the transaction terms are fair and reasonable, and in the shareholders' overall benefits; and the transactions did not exceed the cap amount for year 2016, as approved in the shareholders' meeting.

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

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

SECTION V SIGNIFICANT EVENTS

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

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
Products and services provided by the Group to the CSSC Group					
1.1	Provision of electrical and mechanical engineering equipment, and metallic accessories	332,550.00	188,776.56	8.26	Market price
1.2	Supply of utilities	10,956.00	5,047.66	86.13	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	Labour and technical services	37,342.00	10,700.41	23.79	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	1,446,227.00	605,488.75	43.98	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	40,246.68	4.86	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	575,929.52	46.64	Benchmark deposit interest rate set by the People's Bank of China
3.2	Interest on deposits	38,000.00	7,047.08	20.11	
3.3	Loans (amount)	930,000.00	384,240.00	26.57	No more than benchmark loan interest rate set by the People's Bank of China
3.4	Interest on loans	65,900.00	20,311.25	44.41	
3.5	Other credit services (amount)	750,000.00	105,996.63	8.40	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	691.90	19.98	On terms no less favourable to the Group than terms available from independent third parties
3.7	FX forward contracts	850,000.00	-	-	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	130,100.00	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	7,450.04	100.00	
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	-	-	-	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	3,869.45	19.01	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	436.40	100.00	1-2% of the contract price

(ii) **Material connected transactions relating to common external investments**1. **Matters which have not been disclosed in temporary 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	199,735,783	199,699,165.21	-227,599.21	None

Information on material connected transactions relating to common external investments

CSSC Liner Technology Development Co., Ltd. was established by GSI (a 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 capital of RMB20 million and holds its 10% equity interest.

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

There were no related creditor's right and debt transactions for the Company in 2016.

SECTION V SIGNIFICANT EVENTS

VI. MATERIAL CONTRACTS AND PERFORMANCE

(i) Entrustment, contracting and leasing

1. Leasing

Unit: RMB in ten thousand

Lessor name	Lessee name	Type of leasing assets	Date of commencement of lease	Expiry date of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Connected transaction or not	Connected relation
Guangzhou Ship Industrial Company	CSSC Huangpu Wenchong Shipbuilding Company Limited	Land and buildings	2014.5.1	The date on which the relocation is completed and formal production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Ship Industrial Company	Guangzhou Wenchong Shipyard Co., Ltd.	Land and buildings	2014.5.1	The date on which the relocation is completed and formal production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Shipyard Industrial	GSI	Land and buildings	2014.10.1	2017.12.31	-	-	-	Yes	Subsidiary of a shareholder
Guangzhou Shipyard Shipping	GSI	Land and buildings	2015.12.1	2017.12.31	-	-	-	Yes	Subsidiary of a shareholder
GSI Yangzhou	CSSC Chengxi	Land for industrial use, buildings and structures erected thereon and related ancillary facilities	2015.10.1	2016.12.31	6,144.61	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	Guangzhou Wenchong Dockyard Co., Ltd.	Land, buildings and equipment	2015.9.30	Formal property lease contract to be re-entered into upon project acceptance and settlement	1,323.56	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

Note 1: In 2014, Guangzhou Ship Industrial Company ("Guangzhou Company"), Huangpu Wenchong and Guangzhou Wenchong Shipyard Co., Ltd ("Wenchong Shipyard") entered into a lease agreement in relation to land use right, pursuant to which Guangzhou Company shall lease the land use right owned by it in relation to the land at the Changzhou Plant and part of the land at the Wenchong Plant to Huangpu Wenchong and Wenchong Shipyard for use in operation. The rent for the land use right shall be determined based on 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 shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use right commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong from the Changzhou Plant is completed and Huangpu Wenchong commences formal production at its new plant.

- Note 2: 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 erected 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.
- Note 3: 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 centre 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 erected 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.
- Note 4: On 22 December 2015, GSI Yangzhou and CSSC Chengxi entered into an assets lease agreement, pursuant to which GSI Yangzhou shall lease 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 erected 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.
- Note 5: On 18 December 2015, GSI and Guangzhou Wenchong Dockyard Co., Ltd. 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 Wenchong Dockyard as staff quarter. It was agreed that the rent shall be settled on a quarterly basis and the lease shall take effect retrospectively 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 2016 was approximately RMB13,240,000 in total.

(ii) Guarantees

Unit: Yuan Currency: RMB

Guarantees provided by the Company for its subsidiaries and provided among subsidiaries

Total amount of guarantees provided for its subsidiaries during the reporting period	296,000,000.00
Total balance of guarantees provided for its subsidiaries at the end of the reporting period (B)	2,650,120,000.00

Total amount of guarantees provided by the Company (including those provided for its subsidiaries)

Total amount of guarantees (A+B)	2,650,120,000.00
Total amount of guarantees as a percentage of the Company's net assets (%)	25.46

Notes on guarantees

During the reporting period, the Group provided guarantee with a total balance of guarantee of RMB2,650 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 RMB1,650 million, and the balance of guarantee provided by Wenchong Shipyard for Huangpu Wenchong amounted to RMB500 million. The cap set out in the framework for the proposed guarantees between the Company and its subsidiaries for the year 2016 and their amounts has not been exceeded.

SECTION V SIGNIFICANT EVENTS

(iii) Cash assets entrusted to be managed by others

1. Entrusted wealth management

Unit: Yuan Currency: RMB

Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Date of commencement of entrusted wealth management	Date of expiry of entrusted wealth management	Method of determination of remuneration	Principal amount recovered	Gains obtained	Whether statutory procedures have been performed	Amount of provision made for impairment	Connected transaction or not	Whether involving lawsuit	Relationship
CSSC Finance	Entrusted assets	1,000,000,000.00	2016/5/4	2016/10/10	One-off recovery of principal and interest upon maturity	1,000,000,000.00	13,068,493.15	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	200,000,000.00	2016/6/17	2018/6/17	One-off recovery of principal and interest upon maturity	-	-	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	301,000,000.00	2016/7/7	2018/6/25	One-off recovery of principal and interest upon maturity	-	-	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	205,000,000.00	2014/12/29	2016/12/29	One-off recovery of principal and interest upon maturity	205,000,000.00	20,813,194.44	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	300,000,000.00	2014/12/29	2017/6/21	One-off recovery of principal and interest upon maturity	-	-	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	110,000,000.00	2015/7/3	2016/6/14	One-off recovery of principal and interest upon maturity	110,000,000.00	5,533,150.68	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	390,000,000.00	2015/7/3	2016/11/14	One-off recovery of principal and interest upon maturity	390,000,000.00	24,041,095.89	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	200,000,000.00	2016/6/17	2018/6/17	One-off recovery of principal and interest upon maturity	-	-	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	200,000,000.00	2016/9/26	2018/9/26	One-off recovery of principal and interest upon maturity	-	-	Yes	-	Yes	No	Sister company of the Group
CSSC Finance	Entrusted assets	100,000,000.00	2016/11/8	2018/11/8	One-off recovery of principal and interest upon maturity	-	-	Yes	-	Yes	No	Sister company of the Group
Total	/	<u>3,006,000,000.00</u>	/	/	/	<u>1,705,000,000.00</u>	<u>63,455,934.16</u>	/	/	/	/	/

Total principal and interest overdue unrecovered (RMB) 0

Description of entrusted wealth management products

Huangpu Wenchong and GSI have utilised surplus capital in entrusted asset management. As at the end of 2016, the balance of entrusted assets was RMB1,301 million, 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: Yuan Currency: RMB

Name of borrower	Amount of entrusted loan	Term of loan	Interest rate of loan	Use	With collateral or guarantor	Whether overdue	Connected transaction or not	Whether extended	Whether involving lawsuit	Connected relation
Zhongshan GSI	320,000,000.00	2015.3.2-2018.12.2	0%	Facility construction, production and operation	None	No	Yes	No	No	Wholly-owned subsidiary
United Steel	50,000,000.00	2016.5.5-2017.5.4	4%	Production and operation	None	No	Yes	No	No	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	Wholly-owned subsidiary
Wenchong Heavy Industrial	60,000,000.00	2016.9.12-2018.9.11	3.00%	Production and operation	None	No	Yes	No	No	Wholly-owned subsidiary

Description of entrusted loans

As at the end of 2016, the balance of entrusted loans amounted to RMB450 million, including:

- In order to break the bottleneck for insufficient production resources, GSI entrusted CSSC Finance as the trustee financial institution to provide entrusted loan to Zhongshan GSI, mainly for use in the construction of Zhongshan facility and replenishment of working capital. As at the beginning of 2016, the balance of entrusted loan was RMB320 million. New entrusted loan amounting to RMB115 million was provided in 2016, and RMB115 million had been recovered upon maturity. The entrusted loan was in fact GSI's investment in fixed assets and intangible assets (land use right) for its future non-ship building business to support the operation and development of Zhongshan GSI and free of capital risks.
- 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. Guangzhou United Steel Structures Limited 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 December 2015, with CSSC Finance as the trustee financial institution, Wenchong Shipyard provided entrusted loan with an amount of RMB20 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.
- In September 2016, with CSSC Finance as the trustee financial institution, Huangpu Wenchong provided entrusted loan with an amount of RMB60 million for Wenchong Heavy Industrial, for its daily production and operation. The entrusted loan 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 and investment in derivatives

Type of investment	Contracting party	Term of investment	Type of products	Gains or losses on investments	Whether involving lawsuit
USD forward exchange settlement	Banks, finance companies	Within 3 years	Forward exchange settlement	-171,913,100.00	No
Euro forward exchange purchase	Banks, finance companies	Within 3 years	Forward exchange settlement	25,008,832.56	No
USD option portfolios	Banks	Within 3 years	Option portfolios	-7,051,440.00	No

Information on other wealth management and investment in derivatives

To prevent exchange rate risk, the Group entered into forward exchange contracts (forward exchange settlement) and foreign exchange options trading portfolio contracts. As at the end of the reporting period, all forward exchange contracts and foreign exchange options trading portfolio contracts of the Group had been fully implemented.

VII. REPORT ON PERFORMANCE OF SOCIAL RESPONSIBILITY BY THE COMPANY

(I) Poverty alleviation measures of the Company

1. Targeted poverty alleviation plan

In order to implement the arrangements of the central government for targeted poverty alleviation, in 2016 the Group, under the leadership of the provincial government and governments at various levels, actively carried out poverty alleviation in order to help the receipts of aid to gradually increase income, improve living environment and scientific and cultural quality.

2. Annual summary of targeted poverty alleviation

In 2016, the Group conscientiously implemented the spirit of the central poverty alleviation and development work conference and the central enterprise poverty alleviation and development work conference by actively responding to the call of CSSC and furthering "targeted poverty alleviation":

- in view of the operation of the Company and its subsidiaries, donation of RMB1 million was made to the industrial poverty alleviation fund of CSSC to support the industrial development and key infrastructure construction in Heqing County, Yunnan Province;
- in accordance with the government documents including circular of Guangdong Provincial Party Committee and Guangdong Provincial Government on the Work Plan for Poverty Alleviation in Relatively Poor Villages in New Era (Yue Fu Zu [2016] No. 4), donations of RMB520,000 and RMB160,000 were donated to Heqing County, Yunnan Province and Xuwen County, Guangdong Province, respectively, totalling RMB680,000.

SECTION V SIGNIFICANT EVENTS

3. Poverty alleviation measures of the Company for 2016

Unit: RMB in ten thousand

Indicator	Number and relevant information
I. General information	
Including: 1. Cash	168
2. Materials	0
3. Number of records established for poor people (person)	188
II. Investment by project	
1. Poverty alleviation through industrial development	
	<input checked="" type="checkbox"/> Agriculture and forestry industry poverty alleviation <input type="checkbox"/> Technology poverty alleviation <input type="checkbox"/> Assets income poverty alleviation <input type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Tourism poverty alleviation <input type="checkbox"/> Others
Including: 1.1 Types of industrial poverty alleviation projects	
1.2 Number of industrial poverty alleviation projects	2
1.3 Amount of investment in industrial poverty alleviation projects	128
1.4. Number of records established for poor people (person)	188
2. Job transfer poverty alleviation	
Including: 2.1 Amount of investment in vocational skills training	10
4. Education poverty alleviation	
Including: 4.1 Amount of assistance provided to poor students	5
4.2 Number of poor students receiving assistance (person)	65
4.3 Amount of investment in improvement in educational resources in poverty areas	10.5
5. Health poverty alleviation	
Including: 5.1 Amount of investment in medical resources in poverty areas	3.5
9. Other projects	
Including: 9.1 Number of projects	0
9.2 Amount of investment	11

4. Subsequent targeted poverty alleviation plan

The year 2017 will be a year of decisive battles for poverty alleviation in Heqing County. As a core central enterprise under CSSC, the Group will continue to actively participate in targeted poverty alleviation leveraging the industrial poverty alleviation fund of CSSC, which has operated for years. In accordance with the centralized plan for CSSC, the Group plans to help 8,503 persons, 11 poverty villages and 2 poverty townships in Heqing County get out of poverty so that Heqing County be removed from the poverty list in 2017. The Group will focus on targeted poverty alleviation in the areas of industrial development, educational assistance, infrastructure construction and improvement of people's livelihood conditions, and continue to provide assistance in rural education and medical resources, rural primary school safety project, labour training and use and cadre training, so as to help Heqing in the battle for poverty alleviation in 2017.

(II) Social responsibility work

The Company does not belong to a listed company in heavy pollution industries as specified by the state environmental protection department. For details in respect of the performance of the social responsibilities of the Company, please refer to the "Corporate Governance Report for the Year 2016", which was published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk), the Shanghai Stock Exchange (www.sse.com.cn) and the Company (comec.cssc.net.com) on 31 March 2017.

VIII. OTHERS

1. Reserves

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

2. Property, plant and equipment

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

3. Bank loans and other loans

Details of the Company's bank loans and other loans as at 31 December 2016 are set out in notes to financial statements.

4. Purchase, Disposal or Redemption of Listed Securities of the Company

During the reporting period, none of the Company or its subsidiaries had purchased, disposed of redeemed any listed securities of the Company.

5. Pre-emptive right

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

6. Service contracts with Directors and Supervisors

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

7. Remuneration of Directors and Supervisors

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

8. Directors' and Supervisors' interest in contracts

During the financial year ended 31 December 2016, none of the Company or any of its subsidiaries has entered into any contract which has significant effect on the Company's business, in which Directors or Supervisors have direct or indirect significant interest and which is still in effect during the financial year ended 31 December 2016.

9. Directors' interest in competing business

No Directors have any interest in competing business.

10. Management contracts

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2016.

11. Major customers and suppliers

During the year ended 31 December 2016, the purchase made by the Group from its top five suppliers (as defined in the Listing Rules) in total did not exceed 30% of the Group's total purchase of goods and services for the year.

During the year ended 31 December 2016, the sale made by the Group to its top five customers in total accounted for 48.54% of the Group's total sales for the year, in which the Group's sale to its largest customer accounted for 29.98% of the Group's total sales for the year.

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

12. Remuneration policies

As at 31 December 2016, the total number of employees of the Group was 21,025. The remuneration of employees have been determined based on the complexity and responsibility of their positions and their work performance. The remuneration of Directors, supervisors and senior management of the Company consists mainly of the following:

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

13. Retirement and employee benefit plans

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

14. Audit Committee

The Audit Committee of the Company has reviewed the Group's annual results for 2016 and the financial statements for the year ended 31 December 2016 prepared under the International Financial Reporting Standards.

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

There was no change in the total number of ordinary shares and structure of share capital of the Company during the reporting period.

II. CHANGES IN TRADE-RESTRICTED SHARES

Unit: share

Name of shareholder	Number of shares subject to selling restriction at the beginning of the year	Number of shares with selling restriction removed during the year	Number of shares with selling restriction imposed during the year	Number of shares subject to selling restriction at the end of the year	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. (融通基金管理有限公司)	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. (华安基金管理有限公司)	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. (鹏华基金管理有限公司)	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. (金鹰基金管理有限公司)	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. (诺安基金管理有限公司)	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	/	/

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDING

(i) Total numbers of shareholders

Total number of ordinary shareholders as at the end of the reporting period	59,479
Total number of ordinary shareholders as at the end of the month preceding the date of publication of annual report	56,528

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

(ii) Shareholding of top ten shareholders as at end of the reporting period

Unit: share

Name of shareholder (full name)	Shareholding of top ten shareholders						
	Increase/ decrease during the reporting period	Number of shares held at the end of the period	%	Number of shares held subject to selling restrictions	Pledged or frozen		Shareholder nature
					Share Status	Number	
HKSCC Nominees Limited	-59,076	588,728,869	41.65	345,940,890	None	0	Overseas legal person
China State Shipbuilding Corporation	0	501,745,100	35.50	272,099,300	None	0	State-owned legal-person
China Securities Finance Corporation Limited	0	26,008,443	1.84	0	None	0	State-owned legal-person
Yangzhou Kejin Shipyard Co., Ltd.	-45,689,630	22,623,708	1.60	0	Pledged	22,000,000	Domestic non-state-owned legal person
China Construction Bank Corporation – Penghua China Securities National Defence Index Grading Securities Investment Fund	8,754,357	15,924,911	1.13	0	None	0	Others
Central Huijin Asset Management Ltd.	0	15,126,100	1.07	0	None	0	State-owned legal-person
Shanxi Securities Company Limited	-3,021,916	9,500,000	0.67	0	None	0	State-owned legal-person
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	-452,162	8,828,873	0.62	0	None	0	Others
China Merchants Securities Co., Ltd – Qian Hai Kai Yuan China Aviation Index Classification Securities Investment Funds	0	5,781,582	0.41	0	None	0	Others
Xi'an Investment Holding Co., Ltd.	0	5,291,159	0.37	0	None	0	Domestic non-state-owned legal person

IV. CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER

(i) Controlling shareholder

1 Legal person

Name	China State Shipbuilding Corporation
The person in charge of the unit or legal representative	Dong Qiang
Date of establishment	29 June 1999
Principal businesses	Sate-owned assets investment, operation and management; investment of shipbuilding and marine projects; research, design, development, manufacturing, repair, lease, and sale of over-water and under-water weapons and equipment on ships and warships, ships for civil use, marine equipment, equipment for marine projects, and mechanical and electrical equipment; technical development for converting the techniques and equipment for marine use into those for land use; repair of foreign ships; property management; self-operation and commission-based operation of the import and export of various commodities and techniques (excluding the commodities and techniques operated with international restrictions or forbidden to import and export); processing with imported materials, and “Three-plus-one” trading-mix (custom manufacturing with materials, designs or samples supplied and compensation trade); foreign trade and re-export trade; contracting of overseas marine projects and domestic international bidding projects; dispatching labourers for implementing the above mentioned overseas projects; technical development, technical transfer, technical service, and technical consulting.
Shareholdings in other domestic and overseas listed companies of which it has holding rights and joint-stocks during the reporting period	As at 31 December 2016, it directly and indirectly held a total of 51.18% equity interest in China CSSC Holdings Limited, and directly and indirectly held a total of 41.28% equity interest in CSSC Steel Structure Engineering Co., Ltd..
Other matters	–

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

2 Ownership and controlling relationship between the Company and controlling shareholder



V. OTHER LEGAL PERSON SHAREHOLDERS WITH 10% OR MORE SHAREHOLDING

Unit: Yuan Currency: RMB

Name of legal person shareholder	The person in charge of the unit or legal representative	Date of establishment	Code of organisation	Registered capital	Principal business or management activities
CSSC (Hong Kong) Shipping Company Limited (H Shares)	Zeng Xiangxin	2012.6.25	None	2,730,211,550.00	Engaged in shipbuilding, shipping, ship lease and financing business; has the right to acquire or invest in other companies; has the right to all business that is directly or indirectly beneficial for realisation of the goals of the Company.

Description	<p>CSSC (Hong Kong) Shipping Company Limited is a company established in Hong Kong with limited liability, and is wholly-owned by CSSC, and is a connected person of the Company. The Company entered into an equity subscription agreement with CSSC HK on 30 September 2013 to subscribe 345,940,890 H Shares of the Company, representing 24.47% of total shares of the Company. It undertook not to transfer the shares within 36 months. (For details, please refer to the announcement of the Company dated 12 February 2014 in relation to Completion of Non-public issue of Overseas Listed Foreign Shares published on the website of Shanghai Stock Exchange).</p>				
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SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

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

As at 31 December 2016, the following persons (other than directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") or are required to be entered in the register to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of long positions held (share)	Capacity	Approximate shareholding percentage of issued H shares (%)	Approximate shareholding percentage of issued A shares (%)	Percentage of total issued share capital (%)
China State Shipbuilding Corporation	A shares	501,745,100(L)	Beneficial owner	–	61.08	35.50
CSSC (Hong Kong) Shipping Company Limited	H Shares	345,940,890(L)	Beneficial owner	58.43	–	24.47

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 31 December 2016.

VII. DIRECTORS' AND SUPERVISORS' INTEREST

As at 31 December 2016, none of the Directors, Supervisors and chief executive of the Company has any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be recorded in the register required to be kept under Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers.

VIII. OTHER INFORMATION

(i) Warrants and others

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

(ii) Purchase, sale or redemption of the Company's securities

Neither the Company nor its subsidiaries made any purchase, sale or redemption of the Company's securities during the reporting period.

(iii) Public float of H shares

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

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGE OF SHAREHOLDING AND REMUNERATION

(i) Changes in shareholding of current and resigned Directors, Supervisors and senior management during the reporting period and remuneration

Unit: share

Name	Position (note)	Gender	Age	Date of appointment	Date of expiry of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held in the year	Total remuneration before tax received from the Company during the reporting period (RMB'000)	Whether receiving compensation from related parties of the Company or not
Han Guangde	Executive Director	Male	55	2004-6-25	2017-5-8	0	0	0	103.56	No
Chen Zhongqian	Executive Director	Male	53	2013-11-25	2017-5-8	0	0	0	96.22	No
Chen Liping	Executive Director	Male	50	2016-8-10	2017-5-8	0	0	0	66.39	No
Xiang Huiming	Executive Director	Male	51	2015-5-8	2017-5-8	0	0	0	95.27	No
Chen Ji	Executive Director	Male	50	2016-8-10	2017-5-8	0	0	0	36.77	No
Yang Li	Non-executive Director	Male	49	2013-6-24	2017-5-8	0	0	0	0	Yes
Wang Guozhong	Non-executive Director	Male	54	2015-5-8	2017-5-8	0	0	0	0	Yes
Song Dejin	Independent non-executive director	Male	60	2014-12-22	2017-5-8	0	0	0	20	No
Zhu Mingyou	Independent non-executive director	Male	63	2014-12-22	2017-5-8	0	0	0	0	No
Wang Yichu	Independent non-executive director	Male	58	2015-11-5	2017-5-8	0	0	0	20	No
Min Weiguo	Independent non-executive director	Male	52	2015-11-5	2017-5-8	0	0	0	20	No
Wu Guangjun	Chairman of the supervisory committee	Male	51	2016-8-10	2017-5-8	0	0	0	0	Yes
Fu Xiaosi	External Supervisor	Male	58	2008-5-13	2017-5-8	0	0	0	9	No
Zhu Zhengfu	External Supervisor	Male	53	2011-5-31	2017-5-8	0	0	0	9	No
Chen Shaolong	Internal Supervisor	Male	43	2011-5-31	2017-5-8	0	0	0	46.49	No
Ding Qianfang	Internal Supervisor	Female	47	2016-12-15	2017-5-8	0	0	0	2.44	No
Chen Qiongliang	Chief accountant	Male	47	2015-7-9	2017-5-8	0	0	0	82.23	No
Li Zhidong	Secretary to the Board	Male	51	2016-10-14	2017-5-8	0	0	0	14.85	No
Zhou Dusheng	General manager and Executive Director	Male	61	2013-9-9	2016-6-24	0	0	0	49.10	No
Wang Jun	Non-executive Director	Male	45	2012-12-19	2016-6-24	0	0	0	0	Yes
Ou Guangquan	Chairman of the supervisory committee	Male	50	2015-5-8	2016-5-16	0	0	0	0	Yes
Qin Tinggui	Internal Supervisor	Male	51	2011-5-31	2016-12-14	0	0	0	56.63	No
Shi Weidong	Deputy general manager Secretary to the Board	Male	50	2014-4-25	2016-10-13	0	0	0	61.65	No
Total	/	/	/	/	/		0		789.60	/

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experiences
Han Guangde	Male, aged 55, senior engineer (professional level). He graduated from Huazhong University of Science and Technology (華中工學院) in 1983 and joined Guangzhou Shipyard in the same year, and obtained a master of engineering in industrial engineering in 2002. Mr. Han served as section chief and deputy manager of the Second Design Office, deputy section chief, deputy manager, deputy manager, manager of the Shipbuilding Division, and vice general manager, general manager, chairman and party secretary of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司), and chairman of Guangzhou CSSC Longxue Construction Development Co., Ltd. (廣州中船龍穴造船有限公司). He is chairman and party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司), chairman of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司) and chairman of the Company.
Chen Zhongqian	Male, aged 53, senior engineer (professional level). Mr. Chen graduated from Wuhan University of Water Transportation Engineering College (湖北武漢水運工程學院) in 1983 and he joined Wenchong Shipyard in the same year. In 2002, Mr. Chen was awarded a master degree in business administration. Mr. Chen served as section chief, deputy department head and department head of the outfitting department; assistant to the general manager and deputy general manager of Wenchong Shipyard; general manager, party secretary, vice chairman and chairman of Guangzhou Huangpu Shipyard Co., Ltd. (廣州黃埔造船有限公司). He is currently chairman and party secretary of Huangpu Wenchong and deputy chairman of the Company.
Chen Liping	Male, aged 50, senior account and senior economist. He graduated from Harbin Institute of Technology with a bachelor's degree in engineering in July 1989 and obtained a master degree in 2002. Mr. Chen successively served as deputy manager of the finance department, deputy chief accountant and chief accountant of Guangzhou Wenchong Shipyard Co. Ltd. (廣州文沖船廠有限責任公司); chief accountant, secretary to the board of directors, and executive director of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy director of the audit department of China State Shipbuilding Corporation (中國船舶工業集團公司); and chief accountant of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently executive Director and general manager of the Company.
Xiang Huiming	Male, aged 51, senior engineer (professional level). He graduated from Huazhong University of Science and Technology (華中理工大學) in 1988 and joined Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司) in the same year, and obtained a master degree in business administration in 2004. He served as engineering head of production section, deputy director of general office, deputy head and manager of enterprise management department, assistant to general manager, deputy general manager, party secretary, general manager of Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司). He is currently general manager and deputy party secretary of Huangpu Wenchong, chairman of Wenchong Shipyard; executive Director of the Company.
Chen Ji	Male, aged 50, senior engineer. He graduated from Shanghai Jiaotong University with a bachelor's degree in engineering in 1989 and obtained a master degree in 2001. He successively served as assistant to the ship repair division and deputy manager of the heavy mechanical engineering division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); director, deputy general manager, deputy party secretary, party secretary for the discipline inspection commission of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); and party secretary for the discipline inspection commission of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently party secretary of Guangzhou Shipyard Co., Ltd., general manager and deputy party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司) and executive Director of the Company.
Yang Li	Male, aged 49, senior engineer. He graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1991 and joined Guangzhou Shipyard (廣州造船廠) in the same year. He obtained a degree of MBA in 2006. He served as section chief of the Material Section, deputy head, head and manager of Ship Operation Department, assistant to general manager, deputy general manager of the Shipbuilding Division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy director of the Finance Department of CSSC. He is currently director and general manager of CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃公司) and Hong Kong Hualian Ship Co., Ltd., and non-executive Director of the Company.
Wang Guozhong	Male, aged 54, senior engineer (professional level). He graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1985 and joined the 708 Research Institute of China State Shipbuilding Corporation (中國船舶工業集團公司第七零八研究所), where he served as deputy secretary and secretary of youth league committee, deputy general manager, executive deputy general manager and general manager of Haicqin Company, deputy head of the preparation team of the Military Ship Centre, party secretary, director, deputy chief, deputy director of the Military Industrial Department of CSSC. He is currently director of China State Shipbuilding Corporation No.11 Research Institute and non-executive Director of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

- Song Dejin** Male, aged 60. He graduated from the People's Liberation Army Foreign Language School (中國人民解放軍外國語學院), and later obtained a doctoral degree in Management Science and Engineering. He worked as a translator in Changzhou Semiconductor Plant (常州半導體廠), manager of Changzhou Foreign Economic Technical and Trading (Group) Corporation, and general manager of Changzhou Industry and Trading Co., Ltd. (常州市工貿公司), general manager of the Shanghai Beiguo International Trade Co., Ltd. (上海北國國際貿易公司) of the Department of Domestic Trade, and chairman of Jiangsu Foreign Economic Cooperation Co., Ltd. (江蘇外經合作公司). He is currently a senior advisor and researcher of the International Management Development Centre of the Hong Kong government, a researcher of the Real Estate Research Centre of the Fudan University, the chief advisor of BCD Company of the Chinese Academy of Sciences, a part-time professor of Nanjing University of Aeronautics and Astronautics, and independent non-executive Director of the Company.
- Zhu Mingyou** Male, aged 63. He graduated from Zhongnanhai Amateur University, majored in secretary and Central Party School Correspondence School, and obtained a bachelor's degree. He served as a cadre, deputy section chief and section chief of the Central General Office, deputy head of the Secretary Team of the Central Protection Committee (deputy department level), deputy chief of the Secretary Department, chief of the Comprehensive Research Department and inspector at deputy bureau level of the State Secret Administration Bureau, deputy director of the Secret Administration Bureau of the Commission of Science, Technology, and Industry for National Defence, director (legal representative) of the Military Secret Qualification and Certification Centre, head of the Production Safety and Secret Administration Department of the Bureau of Science, Technology, and Industry for National Defence. He retired in 2014. He is currently an executive director of China Confidentiality Association, part-time professor of the Law School of Beijing Institute of Technology, part-time professor of the Secret Administration School of Harbin Engineering University, and independent non-executive Director of the Company.
- Wang Yichu** Male, aged 58, senior accountant. He graduated from Jinan University (暨南大學) in July 1984, and obtained a graduate degree in political economics in 2007. He served as financial accountant of South China No. 2 Sewing Machine Factory (華南縫紉機二廠), financial accountant of Guangzhou Jintong Industrial Co., Ltd. (廣州金通實業有限公司), auditor, department manager, deputy chief accountant of BDO China Guang Dong Shu Lun Pan Certified Public Accountants. He is currently a partner of BDO China Guang Dong Shu Lun Pan Certified Public Accountants (special general partnership) and independent non-executive Director of the Company.
- Min Weiguo** Male, aged 52. He graduated from Wuhan University with a bachelor's degree in law in June 1987 and obtained a MBA degree in 2005. He served as director of Zhuhai Xiangzhou Economy and Trade Law Firm (珠海市香洲區經貿律師事務所), partner and director of D&S Law Firm (德賽律師事務所) in Guangdong, director of Toronto office of D&S Law Firm, and senior partner of Guangdong Nanguo D&S Law Firm (廣東南國德賽律師事務所). He is currently chief partner of Guangdong Nanguo D&S Law Firm and independent non-executive Director of the Company.
- Wu Guangjun** Male, aged 51, senior policy advisor and senior economist. Mr. Wu graduated from Zhanjiang Aquatic College in July 1988 and obtained a graduate degree in July 1999. Mr. Wu successively served as general manager of Wanda Woods Co., Ltd. (萬達木業有限公司), manager of the human resources department, assistant to general manager, general counsel, and head of the risk management department of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); director of the party and masses relationship department, head of the disciplinary inspection and audit department, assistant to general manager, and general counsel of CSSC Guangzhou Longxue Shipbuilding Co., Ltd. (廣州中船龍穴造船有限公司); assistant to general manager, chief legal advisor and head of the risk management department of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently deputy party secretary and secretary of disciplinary committee of Guangzhou Ship Industrial Company, and chairman of the supervisory committee of the Company.
- Fu Xiaosi** Male, aged 58, senior accountant with bachelor's degree, Certified Public Accountant. He graduated from Huazhong University of Science and Technology (華中工學院) in 1986. He served as deputy managing accountant (senior partner) of Zhongqin Wanxin Public Accountants Limited (中勤萬信會計師事務所), chief accountant of Hubei Tri-ring Company Limited (湖北三環股份有限公司), chief accountant of Tri-ring Group. He is currently deputy general manager and chief financial controller of Hubei Jiu Zhi Yang Infrared System Company Limited (湖北久之洋紅外系統股份有限公司) under China Shipbuilding Industry Corporation, independent director of Chigo Holding Ltd. (志高控股有限公司), Hubei Xingfa Chemical Group Co., Ltd. (湖北興發化工集團有限公司) and Xiangyang Automobile Bearing Co., Ltd. (襄陽汽車軸承股份有限公司), and supervisor of the Company.

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Zhu Zhengfu	Male, aged 53, senior lawyer, with a doctoral degree. He graduated from the Law School of Wuhan University (武漢大學) in 1987 and obtained a juris doctorate degree from Wuhan University in 1999. He had served as the director of the Finance & Property Department in Guangdong Economic and Trade Law Firm (廣東經濟貿易律師事務所), partner of Guangdong Dalu Law Firm (廣東大陸律師事務所), deputy officer of Land Law Advisory Services Center of the Department of Land and Resources of Guangdong Province. He is currently director and executive partner of Guangdong Kunlun Law Firm (廣東東方昆侖律師事務所) and independent director of E Fund Management Co., Ltd. (易方達基金管理有限公司), Guangzhou Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司), DaSenLin Pharmaceutical Group Company Limited (大參林醫藥集團股份有限公司), Poly Real Estate (Group) Co., Ltd. (保利地產(集團)股份有限公司), Beijing Honggao Creative Construction Co., Ltd. (北京弘高創意建築設計股份有限公司), O Luxe Holdings Limited (奧立仕控股有限公司), Dongjiang Environmental Company Limited (東江環保股份有限公司) and Wuhan Sante Cableway Group Co., Ltd. (武漢三特索道集團股份有限公司), and a supervisor of the Company.
Chen Shaolong	Male, aged 43, policy advisor, with a bachelor's degree. Mr. Chen graduated from Bohai Shipbuilding Vocational College (渤海船校) in 1995. Mr. Chen served as member, chief, deputy secretary and secretary of the Youth League, deputy director and director of the party committee and affair department, and party secretary and deputy manager of the shipbuilding division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently director of the party committee and affair department of Guangzhou Shipyard International Company Limited (廣船國際有限公司) and a supervisor representing staff of the Company.
Ding Qianfang	Female, aged 47, is an international certified internal auditor, certified management accountant, certified tax accountant and senior accountant, with a bachelor's degree. She graduated from Jiangnan University in Wuhan in 1991. She successively served as deputy head of the finance department of the Ships and Ocean Engineering Design and Research Institute of Guangzhou (廣州船舶及海洋工程設計研究院); and deputy head of the finance centre and head of the audit department of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). She is currently head of the audit department of Guangzhou Shipyard International Company Limited (廣船國際有限公司), and supervisor representing staff and head of internal control department of the Company.
Chen Qiongxian	Male, aged 47, senior account. He graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1992 and joined Guangzhou Shipyard (廣州造船廠) in the same year. Later he obtained a degree of MBA. He served as accountant at the finance department, assistant to director, deputy director of the finance centre of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司), deputy chief accountant of Guangzhou CSSC Huangpu Shipbuilding Co., Ltd. (廣州中船黃埔造船有限公司), chief accountant of Wenchong Shipyard, and chief accountant of Huangpu Wenchong. He is currently chief accountant of the Company.
Li Zhidong	Male, 51, senior engineer. He graduated from Shanghai Jiaotong University with a bachelor's degree, majored in ship engineering, in engineering in July 1987 and obtained a master degree in November 1997. He served as head of general office, chief legal advisor, assistant to general manager, board secretary and secretary of Hong Kong company of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently secretary to the Board of the Company.

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

(i) Positions held at shareholders

Name	Name of shareholder entity	Position(s) held at Shareholder Entities	Date of appointment	Date of expiry of office
Han Guangde	Guangzhou Shipyard Co., Ltd.	Chairman	2013.09	Not applicable
Chen Liping	CSSC Investment and Development Company Limited	Director	2013.03	Not applicable
Chen Liping	CSSC Finance Company Limited	Director	2013.03	Not applicable
Chen Ji	Guangzhou Shipyard Co., Ltd.	Party secretary	2013.09	Not applicable
Yang Li	CSSC (Hong Kong) Shipping Company Limited	Director, general manager	2013.09	Not applicable
Yang Li	Hong Kong Hualian Ship Co., Ltd.	Director, general manager	2013.09	Not applicable
Wang Guozhong	CSSC No.11 Research Institute	Director	2016.11	Not applicable
Wu Guangjun	Guangzhou Ship Industrial Company	Deputy party secretary, secretary of disciplinary committee, chairman of labour union	2016.04	Not applicable

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(ii) Positions head at other entities

Name	Name of other entities	Position(s) held at other entities	Date of appointment	Date of expiry of office
Song Dejin	International Management Development Centre of the Hong Kong government	Senior advisor	1997.12	Not applicable
	Real Estate Research Centre of Fudan University	Researcher	1999.09	Not applicable
	BCD Company of the Chinese Academy of Sciences	Chief advisor	2006.02	Not applicable
	Nanjing University of Aeronautics and Astronautics	Chief advisor	2009.01	Not applicable
Wang Yichu	BDO China Shu Lun Pan Certified Public Accounts LLP Guangdong Branch	Partner	2012.12	Not applicable
Min Weiguo Fu Xiaosi	Guangdong Nanguo D&S Law Firm	Senior partner, chief partner	2001.01	Not applicable
	Chigo Holding Ltd.	Independent director	2008.08	Not applicable
Zhu Zhengfu	Hubei Jiu Zhi Yang Infrared System Company Limited	Deputy general manager and financial controller	2012.12	Not applicable
	Hubei Xingfa Chemical Group Co., Ltd.	Independent director	2014.05	Not applicable
	Xiangyang Automobile Bearing Co., Ltd.	Independent director	2015.05	Not applicable
	Kunlun Law Firm	Director, executive partner	1998.03	Not applicable
	E Fund Management Co., Ltd.	Independent director	2013.04	Not applicable
	Guangzhou Daily Media Co., Ltd.	Independent director	2013.06	Not applicable
	DaSenLin Pharmaceutical Group Company Limited	Independent director	2013.08	Not applicable
	Poly Real Estate (Group) Co., Ltd.	Independent director	2014.04	Not applicable
	Beijing Honggao Creative Construction Co., Ltd.	Independent director	2014.10	Not applicable
	O Luxe Holdings Limited	Independent director	2015.04	Not applicable
Dongjiang Environmental Co. Ltd.	Independent director	2016.10	Not applicable	
Wuhan Sante Cableway Group Co., Ltd.	Independent director	2016.12	Not applicable	

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision making process of remuneration of Directors, Supervisors and Senior Management	<ol style="list-style-type: none"> In accordance with the Proposal for Remuneration for the Eighth Session of the Board and Senior Management, the Emolument and Examination Committee assessed the performance of executive Directors and senior management for the previous year, determined their performance coefficients and performance salaries, and reported to the Board for approval. The Emolument and Examination Committee makes recommendations to the Board on special annual rewards to be issued to executive Directors, internal supervisors and senior management based on prevailing market conditions, performance of the Company and total amount of performance salaries.
Basis for determination of remuneration of Directors, Supervisors and Senior Management	The remuneration of existing Directors, Supervisors and senior management of the Company has been determined based on the Proposal for Remuneration for the Eighth Session of the Board and Senior Management. According to a resolution passed at the first extraordinary general meeting of the Company for 2015, the remuneration for independent Directors has been adjusted from RMB120,000/year (inclusive of tax) to RMB200,000/year (inclusive of tax).
Actual payment for the remuneration of Directors, Supervisors and Senior Management Officers	For details, please refer to the section headed "Changes in the shareholding and remuneration of the Directors, Supervisors and Senior Management" in this chapter
Total actual remuneration of all Directors, Supervisors and Senior Management Officers at the end of the reporting period	For details, please refer to the section headed "Changes in the shareholding and remuneration of the Directors, Supervisors and Senior Management" in this chapter

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IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Chen Liping	Executive Director	Elected	Replacement
Chen Ji	Executive Director	Elected	Replacement
Wu Guangjun	Chairman of the supervisory committee	Elected	Replacement
Ding Qianfang	Internal Supervisor	Elected	Replacement
Li Zhidong	Secretary to the Board	Appointed	Replacement
Zhou Dusheng	Executive Director	Resigned	Retired
Wang Jun	Non-executive Director	Resigned	Work
Ou Guangquan	Chairman of the supervisory committee	Resigned	Work
Qin Tinggui	Internal Supervisor	Resigned	Work
Shi Weidong	Deputy general manager and secretary to the Board	Resigned	Work

V. DETAILS OF STAFF OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(i) Staff

Number of existing employees of the Parent Company	23
Number of existing employees of major subsidiaries	21,002
Total number of existing employees	21,025
Number of retired staff who incurred expenses of the Parent Company and major subsidiaries	8,749

Type of professions

Professions	Number of persons
Production staff	15,140
Sales staff	100
Technical staff	2,361
Financial staff	149
Administrative staff	3,275
Total	21,025

Educational Background

Education level	Number of persons
Master's degree or above	291
Bachelor's degree	4,799
Associate degree	3,723
Secondary school and below	12,212
Total	21,025

(ii) Remuneration policy

The remuneration of the employees of the Company and its subsidiaries includes salary, reward, and other welfare programs regulated by the PRC government. Subject to the relevant PRC laws and regulations, the Company implements salary system according to employees' position and performance, etc. There was no change during the reporting period.

(iii) Training plan

The Group has formulated training plans for implementation in view of changes in strategic development and product structure and the needs of staff development. Through arranging all staff to participate in learning all kinds of business knowledge and comprehensive improvement of their integrated quality and position competence, human resources have been provided to support effective operation of the Company. There was no change during the reporting period.

(iv) Labour outsourcing

Total working hours for labour outsourcing	44,912,800 hours
Total remuneration paid for labour outsourcing	RMB2,168,021,800

I. INFORMATION ON CORPORATE GOVERNANCE

(i) Corporate governance

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

During the reporting period, the Company had been in compliance with Rule 3.10(1) of the Listing Rules which prescribes that there shall be at least three independent non-executive directors and Rule 3.10A of the Listing Rules which prescribes that at least one-third of the board of directors shall comprise independent non-executive directors. In addition, the Company has received annual confirmation of independence issued by each independent non-executive director in accordance with Rule 3.13 of the Listing Rules. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Listing Rules.

Board of Directors

The Board consists of 11 directors, including 5 executive directors, 2 non-executive directors and 4 independent non-executive directors. Members of the Board have different industry backgrounds with expertise in corporate management, finance and accounting, investment and strategy, offshore engineering and equipment and legal affairs, etc. Details of the members of the Board are set out in the section headed "Directors, supervisors, senior management and employees" in this report.

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

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

In 2016, the Company held a total of 8 Board meetings, including 2 on-site meetings and 6 meetings held by communication equipment, issued 4 regular reports and 41 temporary announcements, transfer related information to the market as operation conditions, market conditions, important meeting decision, significant personnel changes and connected transaction in a timely manner. All resolutions considered and approved on the Board meetings during the year 2016 were decided by the general manager of the Company before submitted to the Board of directors for discussion, and opinions from leadership were also listened. No fault has been made in respect of the announcements disclosed in respect of resolutions considered and approved at the Board meetings during the year. The decision-making procedures and the relevant decisions are in compliance with the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Articles of Association and the requirements of applicable laws and regulations, and the resolutions passed are legal and valid.

The dates of periodic Board meetings each year are determined in advance, and the notice of periodic meetings is given 14 days prior to the meeting, while the notice of extraordinary meetings is given in reasonable time, so that more directors can attend the meeting. The secretary to the Board assists the chairman in preparing agenda of meetings and ensuring the observance of all applicable rules and regulations. The agenda, and attached documents of the Board are generally sent to all directors at least 7 days before the periodic Board meetings (if feasible, it is applicable to other Board meetings). The secretary to the Board is responsible for recording and maintaining the minutes and related meeting documents of the Board and committees thereunder, which are available for the directors' inspection at any time. Minutes reflects the information of review and voting, and directors' opinions at the meeting objectively and in detail, and is confirmed by each attending director by signing. When considering connected transactions, the connected directors abstained from voting.

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

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

Directors

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

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

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organizations in relation to securities transactions by directors, supervisors and senior management. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code of conduct for the securities trading of shares by the Company's directors. The Company has made specific inquiries of all directors and supervisors and they have confirmed that they have fully complied with the Model Code, and have not traded in the shares of the Company during the period before the publication of price-sensitive information such as periodic reports, announcements, profit warning, and other significant events announcements in 2016.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended 31 December 2016 in order to give a true and fair view of the Company and the Group's financial position and results of operations.

The Company encourages directors, supervisors and senior management to take part in the overall and professional development and learning on related listing rules and code on corporate governance practices organized by the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Hong Kong Stock Exchange and The Hong Kong Institute of Chartered Secretaries, arranged directors and supervisors to receive periodic trainings for directors and supervisors. Through Monthly Board Reports, important areas of securities regulation are conveyed to Directors, supervisors and senior management, and internal training lessons arranged by the Company are provided to Directors, supervisors and senior management when necessary to expand the professional qualities of Directors, supervisors and senior management.

During the reporting period, Mr. Li Zhidong, company secretary of the Company, has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules and satisfied the requirement of 15 hours of training per year.

In addition, there was no change of independent non-executive Director of the Company during the reporting period. The Company has received annual confirmation of independence issued by Song Dejin, Zhu Mingyou, Wang Yichu and Min Weiguo, all independent non-executive Directors, in accordance with Rule 3.13 of the Listing Rules, and consider them independent as at the date of this report. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Listing Rules.

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

Name of Director	Term of office
Han Guangde	
Chen Zhongqian	
Chen Liping	Executive Director since 10 August 2016
Xiang Huiming	
Chen Ji	Executive Director since 10 August 2016
Yang Li	
Wang Guozhong	
Song Dejin	
Zhu Mingyou	
Wang Yichu	
Min Weiguo	
Zhou Dusheng	Appointed as executive director on 8 May 2014 and resigned on 24 June 2016
Wang Jun	Appointed as non-executive director on 8 May 2014 and resigned on 24 June 2016

(ii) Specialized committees under the board

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

1. Audit Committee

The principal responsibility of the Audit Committee is assisting the Board in reviewing the financial reporting procedures, the effectiveness of the internal control and risk management system, monitoring the audit procedures, making normal and transparent arrangements for maintaining proper relationship with the Company's auditor, and communicate with internal audit department and external auditors independently. As at the end of the reporting period, members of the Audit Committee included Wang Yichu (chairman), Song Dejin and Zhu Mingyou, all independent non-executive Directors.

In 2016, the Audit Committee under the eighth session of the Board held a total of four meetings, at which they listened to the financial reports, financial position, internal control self-assessment reports for 2015, the first quarter of 2016, half year of 2016 and the third quarter of 2016, passed resolutions on these matters following thorough discussion and reported in time to the Board. Wang Yichu and Song Dejin attended all of these four meetings.

In addition, in accordance with the Implementation Rules for the Audit Committee, the Audit Committee communicated timely with the auditors, reviewed the financial statements of 2016 prepared by the Company before and after the auditors visits the Company and after the auditors have prepared their reports and formed a written opinion. When submitting the financial reports to the Board of Directors, the Audit Committee will also submit a report on the audit work done by the auditors for the year and submit a resolution in relation to re-appointment or change of auditors for the next year.

2. Nomination Committee

The Nomination Committee is principally responsible for selecting the candidates for Directors and managers, determining selection criterion and procedures and making recommendations to the Board. As at the end of the reporting period, members of the Nomination Committee included Zhu Mingyou (chairman), Min Weiguo, both independent non-executive Directors, and Yang Li, non-executive Director.

In 2016, the Nomination Committee under the eighth session of the Board held a total of three meetings, at which the resolution on appointment of Mr. Chen Liping as general manager of the Company, the resolution on appointment of Mr. Chen Liping and Mr. Chen Ji as executive Directors under the eighth session of the Board, the resolution on appointment of Mr. Li Zhidong as secretary to the Board under the eighth session of the Board were considered and passed, respectively. Zhu Mingyou, Min Weiguo and Yang Li attended all of these three meetings.

3. Emolument and Examination Committee

The Emolument and Examination Committee is responsible for developing assessment standards for senior management, carrying out assessment and making recommendations, as well researching and reviewing the emolument policies and programs for senior management. As at the end of the reporting period, members of the Emolument and Examination Committee included Song Dejin (chairman), Wang Yichu, both independent non-executive Directors, and Wang Guozhong, non-executive Director.

In 2016, the Emolument and Examination Committee under the eighth session of the Board held one meeting, at which the report on the remuneration of senior management for 2015 was listened to. Song Dejin and Wang Yichu attended the meeting.

4. Strategy Committee

The Strategy Committee is responsible for the review of the strategic development of the Company. It implements the strategic planning of the Company, monitors the execution of the strategic planning, and timely adjusts the strategic and governance structure of the Company. As at the end of the reporting period, members of the Strategy Committee included Han Guangde, Chen Zhongqian, Chen Liping, Xiang Huiming and Chen Ji, all executive Directors.

In 2016, the Strategy Committee under the eighth session of the Board held one meeting, at which the resolution on matters regarding strategic development of the Company was considered. Han Guangde, Chen Zhongqian, Chen Liping, Xiang Huiming and Chen Ji all attended the meeting.

(iii) Corporate governance function

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

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

II. SHAREHOLDERS AND GENERAL MEETINGS

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

The Company issues notice of general meeting 45 days prior to the date of general meeting, and issues announcement and dispatches circulars in accordance with the relevant rules, setting out the matters to be considered and voting procedures at the meetings, which contains details of the matters for consideration at the meeting and the voting procedures. Separate resolutions are proposed at the general meeting and voted on by way of poll on each separate issue, including the election of individual directors. The chairman of the Board attends and presides over the general meeting and arranges for representatives of independent non-executive directors and the management of the Company to answer questions raised by shareholders at the meeting. The voting method and procedures at general meetings are set out in the Articles of Association and the Rules of Proceedings for General Meetings, contained in the shareholders' circular and explained at the meeting. For information of directors' attendance at general meetings, please refer to the sub-section headed "Attendance of Directors at Board meetings and general meetings" in this section.

(i) Policy on Communication with Shareholders

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

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

(ii) Shareholders' Rights

Ways for shareholders to convene extraordinary general meeting

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

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

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

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

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

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

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

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

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

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

Procedures for putting forward proposals at general meeting

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

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

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

During the year 2016, the controlling shareholder of the Company had never been involved in any acts of bypassing the general meeting or interfering, whether directly or indirectly, with the Company's decision-making or operation. The Company and the controlling shareholder are independent of each other in terms of personnel, assets, finance, organization and business.

All business dealings with Longxue Shipbuilding have been conducted pursuant to the requirements in respect of connected transactions. The connected transactions between the Company and CSSC were carried out in strict compliance with the listing rules of the relevant stock exchanges with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors were appointed to express their opinions. It is the policy of the Company and CSSC to conduct monthly monitoring of connected transactions and report to the Board of Directors on a monthly basis. The total value of continuing connected transactions in 2016 did not exceed the cap approved at general meetings.

SECTION VIII CORPORATE GOVERNANCE

(iv) General meetings

No. of session	Date of holding	Index for details on websites designated for publishing resolutions	Date of Disclosure
2015 annual general meeting	2016.05.27	Website of the SSE, announcement on the website of the Stock Exchange, website of the Company	2016.05.27
First extraordinary general meeting for 2016	2016.08.10	Website of the SSE, announcement on the website of the Stock Exchange, website of the Company	2016.08.10
Second extraordinary general meeting for 2016	2016.10.18	Website of the SSE, announcement on the website of the Stock Exchange, website of the Company	2016.10.18

General meetings

- Annual general meeting for 2015: at the meeting, the report of the Board for 2015, the report of the Supervisory Committee for 2015, the full text of the annual report for 2015 (including the financial statements for 2015), the profit distribution proposal for 2015 and the resolution on the proposed provision of guarantee by the Company and its subsidiaries for 2016 and the amount were considered; and the duty performance report of independent Directors for 2015 was listened to.
- First extraordinary general meeting for 2016: at the meeting, the resolution on amendment to the Rules of Procedure of the Supervisory Committee, the resolution on the appointment of auditor for the financial report for 2016, the resolution on the election of Directors and the resolution on the election of Supervisors were considered.
- Second extraordinary general meeting for 2016: at the meeting, the resolution on the Supplemental Agreement II to the 2014-2016 Connected Continuing Transaction Framework Agreement and the resolution on the 2017-2019 Connected Continuing Transaction Framework Agreement were considered.

III. PERFORMANCE OF DUTIES BY DIRECTORS

(i) Attendance of Directors at Board meetings and general meetings

Director Name	Independent or not	Attendance at Board meetings						Absence from two consecutive meetings or not	Attendance at general meetings
		Required attendance during the year	Attendance in person	Attendance by communication equipment	Attendance by proxy	Number of absence			
Han Guangde	No	8	2	6	0	0	No	3	
Chen Zhongqian	No	8	2	6	0	0	No	0	
Chen Liping	No	4	1	3	0	0	No	0	
Xiang Huiming	No	8	2	6	0	0	No	0	
Chen Ji	No	4	0	3	1	0	No	0	
Yang Li	No	8	0	6	2	0	No	0	
Wang Guozhong	No	8	0	6	2	0	No	0	
Song Dejin	Yes	8	2	6	0	0	No	3	
Zhu Mingyou	Yes	8	2	6	0	0	No	3	
Wang Yichu	Yes	8	2	6	0	0	No	2	
Min Weiguo	Yes	8	1	6	1	0	No	1	
Zhou Dusheng	No	3	1	2	0	0	No	0	
Wang Jun	No	3	1	2	0	0	No	0	
Number of Board meetings during the year						8			
Including: number of meetings convened on-site						2			
Number of meetings convened by communication equipment						6			
Number of meetings both on-site and by communication equipment						0			

IV. DURING THE REPORTING PERIOD, NO MEMBERS OF THE SPECIAL COMMITTEES UNDER THE BOARD HAD RAISED ANY OBJECTION IN PERFORMING THEIR DUTIES.

V. SUPERVISORY COMMITTEE'S DESCRIPTION ON RISKS IDENTIFIED IN THE COMPANY

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

VI. OTHERS – INSIDERS REGISTRATION MANAGEMENT

During the reporting period, no Directors, supervisor, senior management or other insiders had been found to have traded shares of the Company using inside information prior to the disclosure of regular reports of the Company.

VII. CONCLUSION

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

SECTION IX INTERNAL CONTROL

I. INTERNAL CONTROL RESPONSIBILITY STATEMENT

The Company has established an effective internal control system in accordance with the Guidelines for Internal Control of Listed Companies issued by Shanghai Stock Exchange and the listing rules of the Stock Exchange. The Board evaluates the effectiveness of internal control system once a year. During the reporting period, the Company completed internal control self-assessment report for 2016. The Board has evaluated and validated the risk management and internal control system of the Group and has not found any violation of laws, regulations and rules or any significant deficiencies in compliance monitoring and risk management or any major mistakes. The Board considers the risk management and internal control system of the Group is effective.

The full text of the Internal Control Self-Assessment Report for 2016 had been uploaded to the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 31 March 2017.

II. AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

ShineWing has conducted independent audit of the effectiveness of the Company's internal control for 2016 and issued an internal control audit report without qualifying opinions. For details, please refer to the internal control audit report of the Company disclosed on the website of the SSE (www.sse.com.cn) on 31 March 2017.

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

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



信永中和會計師事務所

ShineWing
certified public accountants

北京市東城區朝陽門北大街
8號富華大廈A座9層

9/F, Block A, Fu Hua Mansion,
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

聯繫電話: +86 (010) 6554 2288
telephone: +86 (010) 6554 2288

傳真: +86 (010) 6554 7190
facsimile: +86 (010) 6554 7190

AUDITOR'S REPORT

XYZH/2017BJA100055

TO ALL SHAREHOLDERS OF CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED,

I. AUDIT OPINION

We have audited the financial statements of CSSC Offshore & Marine Engineering (Group) Company Limited ("COMEC"), which comprise the consolidated and the Company's balance sheets as at 31 December 2016, and the Company's and consolidated income statements, the Company's and consolidated cash flows statements and the Company's and consolidated statements of changes in owners' equity for 2016 and the notes to the financial statements.

In our opinion, the accompanying financial statements of COMEC present fairly, in all material aspects, COMEC's and consolidated financial position as at 31 December 2016 and its and consolidated results of operations and cash flows for the year 2016 in accordance with the Accounting Standards for Business Enterprises.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of COMEC in accordance with the Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognised using the percentage of completion method

Key audit matters

In 2016, COMEC recorded consolidated revenue of RMB23,350 million. Revenue recognised using the percentage of completion method accounted for RMB21,467 million or 91.94% of the consolidated revenue, which is significant in both amount and percentage of consolidated revenue. As detailed in Note IV.25, Note IV. 30 (g) and Note VI.50 in the financial statements of COMEC, for the shipbuilding and offshore engineering products among the principal activities of COMEC, the contractual revenue and cost are recognised using the percentage of completion method in accordance with the requirements of the Accounting Standards for Business Enterprises No. 15 – Construction Contract. In using the percentage of completion method, the percentage of completion of contract is determined based on the contract cost already incurred to the total expected contract cost.

The revenue recognised using the percentage of completion method involves significant management judgment and estimates, which depends on the estimation of future market and economic conditions and in turn affects the ability of COMEC to recognise revenue using the percentage of completion method in the proper period. As such, we consider the revenue recognised using the percentage of completion method a key audit matter.

Audit response

Our key procedures include:

- (1) We understood and tested the policies, procedures, methods and relevant internal controls for the accounting of construction contracts of COMEC, the determination of total revenue and total cost and the relevant changes.
- (2) Through the changes in revenue and cost from construction contracts recognised in the year and previous years, we identified and understood the reason for change, and determined whether there were any signs of management bias in the accounting estimates.
- (3) We obtained a list of projects under construction, reviewed the relevant construction contracts, and checked the implementation of the contracts including the settlement and collection.
- (4) We obtained a breakdown of expected total cost for projects under construction and reviewed its reasonableness.
- (5) We tested the accounting estimates made by the management and the relevant basis and data to determine the reasonableness of the estimates.

Revenue recognised using the percentage of completion method

Key audit matters

Audit response

- (6) In accordance with the audit procedures for inventories, we conducted on-site counting and cut-off tests for contracts uncompleted as at the end of the year to check whether the cost collection is accurate.
- (7) In accordance with the accounting policies set out in the Accounting Standards for Business Enterprises No. 15 – Construction Contract, we carried out substantive testing procedures and examined whether COMEC has recognised revenue from construction contracts in accordance with the accounting policy for the percentage of completion method.

IV. OTHER INFORMATION

The management of COMEC (the management) is responsible for the other information. The other information comprises the information included in the 2016 annual report of COMEC, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management is responsible for preparing of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing COMEC's ability to continue as a going concern, disclosure of matters regarding going concern, and using the going concern basis of accounting unless the management either intend to liquidate COMEC or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing COMEC's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to affect the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- (4) conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on COMEC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause COMEC to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within COMEC to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public Accountants LLP

Beijing, the PRC

Certified Public Accountant of China: Liang Xiaoyan (Partner)

Certified Public Accountant of China: Song Yong

31 March 2017

CONSOLIDATED BALANCE SHEET

31 December 2016

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

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand	1	12,347,969,978.26	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	2		13,063,411.11
Derivative financial assets			-
Notes receivable	3	122,945,274.57	21,097,180.25
Accounts receivable	4	1,280,968,787.17	1,709,967,395.06
Prepayments	5	2,372,345,688.47	2,515,258,065.45
Insurance premium receivable			-
Reinsurance premium receivable			-
Reserves for reinsurance contract receivable			-
Interest receivable	6	138,243,843.26	192,335,788.34
Dividends receivable	7		635,116.05
Other receivables	8	72,448,156.82	694,376,182.24
Financial assets purchased under agreements to resell			-
Inventories	9	12,349,605,017.16	10,742,673,543.44
Assets classified as held for sale			-
Non-current assets due within one year			-
Other current assets	10	1,892,964,428.05	845,000,000.00
Total current assets		30,577,491,173.76	34,398,772,436.86
Non-current assets:			
Loans and advances granted			-
Available-for-sale financial assets	11	18,902,353.05	19,268,341.89
Held-to-maturity investments			-
Long-term receivables	12	478,791,643.97	356,141,245.87
Long-term equity investments	13	68,961,676.66	78,062,223.23
Investment properties	14	22,880,075.84	23,508,788.00
Fixed assets	15	10,906,714,094.44	10,533,735,083.01
Construction in progress	16	670,750,840.41	731,737,560.48
Construction materials			-
Disposal of fixed assets	17	2,572,359.05	-
Productive biological assets			-
Oil and gas assets			-
Intangible assets	18	2,000,393,192.52	2,056,652,662.93
Development expenditure	19		-
Goodwill			-
Long-term prepaid expenses	20	17,049,706.48	20,711,576.42
Deferred tax assets	21	502,717,150.15	477,364,386.52
Other non-current assets	22	1,001,361,563.30	300,000,000.00
Total non-current assets		15,691,094,655.87	14,597,181,868.35
Total assets		46,268,585,829.63	48,995,954,305.21

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qionxiang

Head of accounting department:
Xie Weihong

CONSOLIDATED BALANCE SHEET

31 December 2016

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

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings	23	445,636,500.54	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	24		181,241,917.70
Derivative financial liabilities			-
Notes payable	25	1,916,069,525.06	2,364,995,314.53
Accounts payable	26	7,263,636,176.96	6,735,387,372.25
Advances from customers	27	596,195,202.34	627,518,169.05
Securities sold under agreements to repurchase			-
Fee and commission payable			-
Employee benefits payable	28	59,354,143.31	35,838,830.14
Taxes payable	29	127,111,097.76	-1,122,743,774.34
Interest payable	30	11,109,426.83	21,533,573.71
Dividends payable	31	3,806,004.54	256,103,771.17
Other payables	32	358,190,436.06	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	33	5,675,200,000.00	1,777,500,000.00
Other current liabilities	34	8,814,232,495.28	12,090,184,240.88
Total current liabilities		25,270,541,008.68	29,959,424,988.30
Non-current liabilities:			
Long-term borrowings	35	8,338,557,000.00	6,690,567,600.00
Bonds payable			-
Including: Preference shares			-
Perpetual bonds			-
Long-term payables			-
Long-term employee benefits payable	36	279,398,049.27	286,730,158.80
Special payables	37	1,390,339,744.58	984,839,744.58
Accrued liabilities	38	510,937,159.71	443,104,113.90
Deferred income	39	67,514,328.51	260,320,055.21
Deferred tax liabilities	21	499,094.19	2,310,530.93
Other non-current liabilities			-
Total non-current liabilities		10,587,245,376.26	8,667,872,203.42
Total liabilities		35,857,786,384.94	38,627,297,191.72

CONSOLIDATED BALANCE SHEET

31 December 2016

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

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
Owners' equity:			
Share capital	40	1,413,506,378.00	1,413,506,378.00
Other equity instruments			-
Including: Preference shares			-
Perpetual bonds			-
Capital reserve	41	6,867,866,279.63	6,867,585,222.21
Less: Treasury shares			-
Other comprehensive income	42	-60,441,217.45	-60,166,725.82
Special reserve	43	929,231.60	-
Surplus reserve	44	952,284,741.72	943,767,421.48
Provision for general risks			-
Undistributed profit	45	1,173,657,685.44	1,153,355,946.59
Total equity attributable to shareholders of the Company		10,347,803,098.94	10,318,048,242.46
Minority interest	46	62,996,345.75	50,608,871.03
Total equity		10,410,799,444.69	10,368,657,113.49
Total liabilities and equity		46,268,585,829.63	48,995,954,305.21

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

BALANCE SHEET OF THE COMPANY

31 December 2016

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

Unit: RMB

Item	Note XVII	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand	1	118,028,234.52	3,725,827,025.99
Financial assets at fair value through profit or loss	2	-	1,597,147.55
Derivative financial assets		-	-
Notes receivable	3	1,949,644.23	311,119.00
Accounts receivable	4	40,039,348.35	677,468,227.95
Prepayments	5	15,853,238.36	3,223,652,503.90
Interest receivable	6	270,183.33	69,002,234.43
Dividends receivable	7	-	47,600,000.00
Other receivables	8	1,857,655.78	3,476,271,808.07
Inventories	9	145,497,894.81	4,050,349,013.03
Assets classified as held for sale		-	-
Non-current assets due within one year		-	-
Other current assets	10	22,772,600.20	-
Total current assets		346,268,799.58	15,272,079,079.92
Non-current assets:			
Available-for-sale financial assets	11	-	1,000,000.00
Held-to-maturity investments		-	-
Long-term receivables	12	600,000,000.00	667,500,000.00
Long-term equity investments	13	8,535,717,482.56	6,203,078,728.58
Investment properties	14	-	23,508,788.00
Fixed assets	15	79,621,477.01	394,722,990.42
Construction in progress	16	-	205,913,567.86
Construction materials		-	-
Disposal of fixed assets	17	2,467,859.05	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	18	11,115,333.18	21,313,210.43
Development expenditure		-	-
Goodwill		-	-
Long-term prepaid expenses	19	343,667.20	12,155,239.21
Deferred tax assets	20	20,000,000.00	20,000,000.00
Other non-current assets		-	-
Total non-current assets		9,249,265,819.00	7,549,192,524.50
Total assets		9,595,534,618.58	22,821,271,604.42

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxian

Head of accounting department:
Xie Weihong

BALANCE SHEET OF THE COMPANY

31 December 2016

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

Unit: RMB

Item	Note XVII	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings	21	17,500,000.00	1,117,000,000.00
Financial liabilities at fair value through profit or loss	22	-	169,786,438.85
Derivative financial liabilities			-
Notes payable	23	-	666,115,033.68
Accounts payable	24	88,485,154.94	2,949,424,645.21
Advances from customers	25	77,013,708.94	102,971,450.69
Employee benefits payable	26	1,323,940.47	19,231,876.14
Taxes payable	27	3,497,568.96	-926,830,947.39
Interest payable	28	339,166.66	4,398,553.01
Dividends payable	29	498,004.54	174,345.96
Other payables	30	22,045,279.71	43,553,010.12
Liabilities classified as held for sale		-	-
Non-current liabilities due within one year	31	482,500,000.00	549,000,000.00
Other current liabilities	32		6,152,425,858.57
Total current liabilities		693,202,824.22	10,847,250,264.84
Non-current liabilities:			
Long-term borrowings	33	100,000,000.00	2,720,500,000.00
Bonds payable			-
Including: Preference shares			-
Perpetual bonds			-
Long-term payables			-
Long-term employee benefits payable	34		50,876,069.79
Special payables	35	99,370,000.00	99,370,000.00
Accrued liabilities	36	4,543,266.47	229,399,586.26
Deferred income	37		218,225,166.74
Deferred tax liabilities	20		-
Other non-current liabilities			-
Total non-current liabilities		203,913,266.47	3,318,370,822.79
Total liabilities		897,116,090.69	14,165,621,087.63
Owners' equity:			
Share capital	38	1,413,506,378.00	1,413,506,378.00
Other equity instruments			-
Including: Preference shares			-
Perpetual bonds			-
Capital reserve	39	6,147,927,729.10	6,147,927,729.10
Less: Treasury shares			-
Other comprehensive income			-
Special reserve	40	-	-
Surplus reserve	41	462,411,586.54	453,894,266.30
Undistributed profit	42	674,572,834.25	640,322,143.39
Total equity		8,698,418,527.89	8,655,650,516.79
Total liabilities and equity		9,595,534,618.58	22,821,271,604.42

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongliang

Head of accounting department:
Xie Weihong

CONSOLIDATED INCOME STATEMENT

2016

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

Unit: RMB

Item	Note VI	Amount for the year	Amount for last year
I. Total operating income		23,349,604,897.69	25,519,239,791.42
Including: Operating income	50	23,349,604,897.69	25,519,239,791.42
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		23,487,474,127.48	27,239,057,441.56
Including: Operating costs	50	21,713,708,013.17	24,821,158,371.84
Interest expenses			
Handling charges and commissions			
Refunded premiums			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policy dividend payment			
Reinsured expenses			
Taxes and surcharges	51	70,579,480.62	26,058,415.07
Selling expenses	52	116,743,820.71	210,814,276.68
Administrative expenses	53	1,395,560,018.97	1,453,253,072.82
Finance costs	54	-17,946,547.67	336,489,851.01
Asset impairment losses	55	208,829,341.68	391,283,454.14
Add: Gain on changes in fair values (loss expressed with "-")	56	168,178,506.59	-129,608,691.45
Investment income (loss expressed with "-")	57	-48,371,480.29	2,034,308,125.58
Including: Income from investment in associates and joint ventures		1,779,996.01	1,279,915.09
Exchange gain (loss expressed with "-")		-	-
III. Operating profit (loss expressed with "-")		-18,062,203.49	184,881,783.99
Add: Non-operating income	58	216,170,412.85	289,796,380.33
Including: Gain on disposal of non-current assets		2,302,601.24	675,421.88
Less: Non-operating expenses	59	78,673,400.06	4,966,346.67
Including: Loss on disposal of non-current assets		10,722,317.94	3,910,944.82
IV. Total profit (loss expressed with "-")		119,434,809.30	469,711,817.65
Less: Income tax expense	60	32,746,647.37	365,814,179.00
V. Net profit (net loss expressed with "-")		86,688,161.93	103,897,638.65
Net profit attributable to shareholders of parent company		71,224,250.43	98,320,709.38
Minority interests		15,463,911.50	5,576,929.27

CONSOLIDATED INCOME STATEMENT

2016

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

Unit: RMB

Item	Note VI	Amount for the year	Amount for last year
VI. Net other comprehensive income after tax	61	-274,491.63	-14,881,889.67
Net other comprehensive income after tax attributable to owners of the Company		-274,491.63	-14,881,889.67
(i) Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods			-14,478,500.00
1. Net liabilities or net assets movement due to re-measurement on defined benefit plan			-14,478,500.00
2. Share of other comprehensive income of investee that cannot be subsequently reclassified to profit and loss under equity method			-
(ii) Other comprehensive income that will be reclassified to profit or loss in subsequent periods		-274,491.63	-403,389.67
1. Share of other comprehensive income of investees that will be subsequently reclassified to profit or loss under equity method		-	-
2. Gain or loss on change in fair value of available-for-sale financial assets		-274,491.63	-403,389.67
3. Gain or loss on held-to-maturity investment re-classified into available-for-sale financial assets			
4. Effective portion of gain or loss on cash flow hedges			
5. Exchange differences arising from translation of foreign currency financial statements			
6. Others			
Net other comprehensive income after tax attributable to minority interest			
VII. Total comprehensive income		86,413,670.30	89,015,748.98
Total comprehensive income attributable to owners of the Company		70,949,758.80	83,438,819.71
Total comprehensive income attributable to minority interest		15,463,911.50	5,576,929.27
VIII. Earnings per share:	67		
(i) Basic earnings per share		0.0504	0.0709
(ii) Diluted earnings per share		0.0504	0.0709

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

INCOME STATEMENT OF THE COMPANY

2016

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

Unit: RMB

Item	Note XVII	Amount for the year	Amount for last year
I. Operating income	46	350,658,685.74	10,492,252,507.38
Less: Operating costs	46	334,955,811.42	10,965,979,118.19
Taxes and surcharges	47	2,547,690.28	2,598,736.02
Selling expenses	48	15,316,862.10	71,039,178.82
Administrative expenses	49	18,753,411.65	400,134,778.93
Finance costs	50	-5,189,775.62	118,118,926.51
Asset impairment losses	51	-7,015,656.92	560,943,121.79
Add: Gain on changes			
in fair values (loss expressed with "-")	52	-	-125,462,527.27
Investment income (loss expressed with "-")	53	93,600,910.09	-60,844,632.04
Including: Income from investment			
in associates and joint ventures		-	87,687.51
II. Operating profit (Loss expressed with "-")		84,891,252.92	-1,812,868,512.19
Add: Non-operating income	54	585,833.76	140,439,707.46
Including: Gain on disposal			
of non-current assets		-	201,760.23
Less: Non-operating expenses	55	167,273.48	548,170.93
Including: Loss on disposal			
of non-current assets		-	500,651.89
III. Total profit (loss expressed with "-")		85,309,813.20	-1,672,976,975.66
Less: Income tax expense	56	136,610.76	137,407,322.54
IV. Net profit (Net loss listed with "-")		85,173,202.44	-1,810,384,298.20
V. Net other comprehensive income after tax		-	-
(i) Other comprehensive income that cannot be reclassified to profit or 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		-	-
(ii) Other comprehensive income that will be reclassified to profit or loss in subsequent periods		-	-
1. Share of other comprehensive income of investees that will be subsequently reclassified to profit or loss under equity method		-	-
2. Gain or loss on change in fair value of available-for-sale financial assets		-	-
3. Gain or loss on held-to-maturity investment re-classified into available-for-sale financial assets		-	-
4. Effective portion of gain or loss on cash flow hedges		-	-
5. Exchange differences arising from translation of foreign currency financial statements		-	-
6. Others		-	-
VI. Total comprehensive income		85,173,202.44	-1,810,384,298.20
VII. Earnings per share			
(i) Basic earnings per share			
(ii) Diluted earnings per share			

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxian

Head of accounting department:
Xie Weihong

CONSOLIDATED CASH FLOW STATEMENT

2016

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

Unit: RMB

Item	Note VI	Amount for the year	Amount for last year
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		21,354,323,773.86	24,599,940,805.38
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, fee and commission			
Net increase in placements from other financial institutions			
Net increase in sales and repurchase operations			
Cash received from tax refund		1,116,311,913.86	991,882,287.09
Other cash receipts relating to operating activities	70	969,679,043.91	880,244,310.53
Sub-total of cash inflows from operating activities		23,440,314,731.63	26,472,067,403.00
Cash paid for goods and services		24,139,621,338.89	23,986,862,973.04
Net increase in loans and advances 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		2,277,206,344.37	2,154,246,882.33
Payments of taxes		304,265,173.79	455,806,824.65
Other cash payments relating to operating activities	70	480,295,509.75	933,402,796.75
Sub-total of cash outflows from operating activities		27,201,388,366.80	27,530,319,476.77
Net cash flow from operating activities		-3,761,073,635.17	-1,058,252,073.77
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		2,060,000,000.00	50,500,000.00
Cash receipts from investment income		108,028,335.06	-50,832,425.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,041,211.69	416,693.73
Net cash received from disposal of subsidiaries and other business units		593,689,815.00	725,267,198.41
Other cash receipts relating to investing activities	70	13,303,365,260.32	11,178,003,216.24
Sub-total of cash inflows from investing activities		16,068,124,622.07	11,903,354,682.72
Cash paid to for acquisition of fixed assets, intangible assets and other long-term assets		802,992,946.89	855,504,056.18
Cash paid for investments		2,367,376,657.44	640,000,000.00
Net increase in pledged loans		-	-
Net cash paid for acquisition of subsidiaries and other business units		-	680,408,300.00
Other cash payments relating to investing activities	70	7,104,805,539.63	9,534,530,067.77
Sub-total of cash outflows from investing activities		10,275,175,143.96	11,710,442,423.95
Net cash flow from investment activities		5,792,949,478.11	192,912,258.77

CONSOLIDATED CASH FLOW STATEMENT

2016

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

Unit: RMB

Item	Note VI	Amount for the year	Amount for last year
III. Cash flows from financing activities:			
Cash receipts from receiving investments		-	1,585,323,292.57
Including: Cash received by subsidiaries from receiving investments made by minority interest		-	-
Cash receipts from loans obtained		12,958,871,619.31	24,726,222,047.64
Cash receipts from issuance of bonds			-
Other cash receipts relating to financing activities	70	205,503,813.33	170,000,000.00
Sub-total of cash inflows from financing activities		13,164,375,432.64	26,481,545,340.21
Cash paid for repayment of debts		14,217,245,809.10	24,460,305,299.09
Cash paid for dividend, profit appropriation or interest expenses		753,864,000.21	489,679,251.14
Including: Dividends and profits paid by subsidiaries to minority interest		395,200.00	-
Other cash payments relating to financing activities	70	-	4,333,624.12
Sub-total of cash outflows from financing activities		14,971,109,809.31	24,954,318,174.35
Net cash flow from financing activities		-1,806,734,376.67	1,527,227,165.86
IV. Effect of change in foreign exchange rate on cash and cash equivalents		427,648,306.03	229,322,503.95
V. Net increase in cash and cash equivalents		652,789,772.30	891,209,854.81
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		9,885,435,368.48	9,232,645,596.18

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

CASH FLOW STATEMENT OF THE COMPANY

2016

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

Unit: RMB

Item	Note XVII	Amount for the year	Amount for last year
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		774,197,975.52	9,620,628,940.98
Cash received from tax refund		74,859,331.27	308,668,937.68
Other cash receipts relating to operating activities	62	26,469,710.30	1,793,068,173.52
Sub-total of cash inflows from operating activities		875,527,017.09	11,722,366,052.18
Cash paid for goods and services		1,077,727,492.21	12,004,823,637.92
Cash paid to and on behalf of employees		50,902,095.52	375,799,399.55
Payments of taxes		15,190,485.79	112,285,983.77
Other cash payments relating to operating activities	62	42,187,066.82	281,306,852.70
Sub-total of cash outflows from operating activities		1,186,007,140.34	12,774,215,873.94
Net cash flow from operating activities		-310,480,123.25	-1,051,849,821.76
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		-	-
Cash receipts from investment income		93,600,910.09	-53,814,807.15
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	31,202.62
Net cash received from disposal of subsidiaries and other business units		-	-
Other cash receipts relating to investing activities	62	1,188,488,969.20	3,272,830,729.33
Sub-total of cash inflows from investing activities		1,282,089,879.29	3,219,047,124.80
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,316,317.73	203,863,520.10
Cash paid for investments		3,367,252,991.39	3,005,413,332.60
Net cash paid for acquisition of subsidiaries and other business units		-	-
Other cash payments relating to investing activities	62	117,500,000.00	1,527,023,000.00
Sub-total of cash outflows from investing activities		3,486,069,309.12	4,736,299,852.70
Net cash flow from investment activities		-2,203,979,429.83	-1,517,252,727.90
III. Cash flows from financing activities:			
Cash receipts from receiving investments		-	1,541,373,292.57
Cash receipts from loans obtained		87,500,000.00	13,553,612,719.70
Cash receipts from issuance of bonds		-	-
Other cash receipts relating to financing activities	62	-	170,000,000.00
Sub-total of cash inflows from financing activities		87,500,000.00	15,264,986,012.27
Cash paid for repayment of debts		155,000,000.00	13,580,613,842.38
Cash paid for dividends, profit appropriation or interest expenses		54,856,938.99	141,103,092.78
Other cash payments relating to financing activities	62	-	3,547,126.33
Sub-total of cash outflows from financing activities		209,856,938.99	13,725,264,061.49
Net cash flow from financing activities		-122,356,938.99	1,539,721,950.78
IV. Effect of change in foreign exchange rate on cash and cash equivalents		657,700.60	51,022,475.62
V. Net increase in cash and cash equivalents		-2,636,158,791.47	-978,358,123.26
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		88,028,234.52	2,724,187,025.99

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongliang

Head of accounting department:
Xie Weihong

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2016

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

Unit: RMB

Item	Current year													
	Equity attributable to shareholders of the parent company												Total owners' equity	
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Minority interest		
Share capital	Preference shares	Perpetual bonds	Others											
I. Ending balance of the last 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. Beginning balance 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 year (Decrease marked with "-")	-	-	-	-	281,057.42	-	-274,491.63	929,231.60	8,517,320.24	-	20,301,738.65	12,367,474.72	42,142,331.20	
(i) Total comprehensive income							-274,491.63					71,224,250.43	15,463,911.50	86,413,670.30
(ii) Capital paid in and reduced by shareholders					281,057.42									281,057.42
1. Ordinary shares paid by shareholders														
2. Capital paid by holders of other equity instruments														
3. Amount of share-based payments recognised in owners' equity														
4. Others					281,057.42									281,057.42
(iii) Profit distribution									8,517,320.24		-50,922,511.58	-3,076,436.78	-45,481,628.12	
1. Transfer to surplus reserve									8,517,320.24		-8,517,320.24			
2. Transfer to general risk provision														
3. Distribution to owners (shareholders)												-42,405,191.34	-3,076,436.78	
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								929,231.60						
1. Transfer in the year								48,902,952.75					48,902,952.75	
2. Utilisation in the year								-47,973,721.15					-47,973,721.15	
(vi) Others														
IV. Ending balance of the year	1,413,506,378.00	-	-	-	6,867,866,279.63	-	-60,441,217.45	929,231.60	952,284,741.72	-	-1,173,657,685.44	62,996,345.75	10,410,799,444.69	

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongliang

Head of accounting department:
Xie Weihong

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2016

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

Unit: RMB

Item	Last year													
	Equity attributable to shareholders of the parent company												Total owners' equity	
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Minority interest		
Share capital	Preference shares	Perpetual bonds	Others											
I. Ending balance of the last year	1,030,534,651.00	-	-	-	5,421,591,956.64	-	-45,284,836.15	1,439,966.32	943,767,421.48	-	1,310,184,662.42	45,721,941.76	8,707,855,763.47	
Add: accounting policy change													-	
Correction of previous errors													-	
Business combination under common control													-	
Others													-	
II. Beginning balance of the year	1,030,534,651.00	-	-	-	5,421,591,956.64	-	-45,284,836.15	1,439,966.32	943,767,421.48	-	1,310,184,662.42	45,721,941.76	8,707,855,763.47	
III. Increase/Decrease for the year (Decrease marked with "-")	382,971,727.00	-	-	-	1,445,993,265.57	-	-14,881,889.67	-1,439,966.32	-	-	-156,828,715.83	4,866,929.27	1,690,701,250.02	
(i) Total comprehensive income							-14,881,889.67	-1,439,966.32				98,320,708.38	5,576,929.27	89,015,748.98
(ii) Capital paid in and reduced by shareholders	382,971,727.00	-	-	-	1,445,993,265.57	-	-	-	-	-	-	-	1,828,984,992.57	
1. Ordinary shares paid by shareholders	382,971,727.00				1,445,993,265.57								1,828,984,992.57	
2. Capital paid by holders of other equity instruments													-	
3. Amount of share-based payments recognised in owners' equity													-	
4. Others													-	
(iii) Profit distribution											-255,149,425.21	-890,000.00	-255,839,425.21	
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. 其他												780,000.00	780,000.00	
(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								-1,439,966.32					-1,439,966.32	
1. Transfer in the year								52,374,577.20					52,374,577.20	
2. Utilisation in the year								53,814,543.52					53,814,543.52	
(vi) Others													-	
IV. Ending balance 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	10,388,657,113.49	

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongliang

Head of accounting department:
Xie Weihong

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2016

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

Unit: RMB

Item	Current year										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
Preference shares		Perpetual bonds	Others								
I. Ending balance of the last 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. Beginning balance 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 year (Decrease marked with "-")	-	-	-	-	-	-	-	-	8,517,320.24	34,250,690.86	42,788,011.10
(i) Total comprehensive income										85,173,202.44	85,173,202.44
(ii) Capital paid in and reduced by shareholders											-
1. Ordinary shares paid by shareholders											-
2. Capital paid by holders of other equity instruments											-
3. Amount of share-based payments recognised in owners' equity											-
4. Others											-
(iii) Profit distribution									8,517,320.24	-50,922,511.58	-42,405,191.34
1. Transfer to surplus reserve									8,517,320.24	-8,517,320.24	-
2. Distribution to 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 year									49,092.02		49,092.02
2. Utilisation in the year									-49,092.02		-49,092.02
(vi) Others											-
IV. Ending balance of the year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	462,411,586.54	674,572,834.25	8,698,418,527.89

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qionxiang

Head of accounting department:
Xie Weihong

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2016

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

Unit: RMB

Item	Last year										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
Preference shares		Perpetual bonds	Others								
I. Ending balance of the last year	1,030,534,651.00	-	-	-	1,952,637,215.67	-	-	-	453,894,266.30	2,450,706,441.59	5,887,772,574.56
Add: accounting policy change	-	-	-	-	-	-	-	-	-	-	-
Correction of previous errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance 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 year (Decrease marked with "-")	382,971,727.00	-	-	-	4,195,290,513.43	-	-	-	-	-1,810,384,298.20	2,767,877,942.23
(i) Total comprehensive income	-	-	-	-	-	-	-	-	-	-1,810,384,298.20	-1,810,384,298.20
(ii) Capital paid in and reduced by shareholders	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. Amount of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to 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 year	-	-	-	-	-	-	-	28,166,388.42	-	-	28,166,388.42
2. Utilisation in the year	-	-	-	-	-	-	-	-28,166,388.42	-	-	-28,166,388.42
(vi) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance 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

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongliang

Head of accounting department:
Xie Weihong

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

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 Shipyard International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company completed on 11 February 2014 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 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.

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 31 December 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 Company operates in the shipbuilding industry. The principal activities of the Group include: 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group includes the Company and its 24 subsidiaries, including: Guangzhou Shipyard International Company Limited “GSI”), Guangzhou Longxue Pipe Co., Ltd. (“Pipe Company”), Guangzhou Xingshun Marine Services Co., Ltd., United Structures Ltd., Guangdong GSI Elevator Co., Ltd., Guangzhou Hongfan Technology Co., Ltd., Guangzhou Guangli Shipbuilding Human Resources Service Company Limited (“Guangli”), 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. (“GSI Yangzhou”), CSSC Huangpu Wenchong Shipbuilding Co., Ltd. (“Huangpu Wenchong”), 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. (“Wenchong Shipyard”), Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd., Guangzhou Wenchong Heavy Industrial Co. Ltd., and Guangzhou Xingji Maritime Engineering Design Co., Ltd.. The number decreased by one compared to last year as Guangzhou Wanda Marine Engineering Co., Ltd. was liquidated during the year.

Please refer to Note “VII. Change in the Scope of Consolidation” and Note “VIII. Interest in Other Entities” for details.

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of 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 Note IV “Significant Accounting Policies and Estimates”.

(2) Going concern

The management of the Company has assessed its ability to operate on a continuing basis for the 12 months from 31 December 2016 and is of the view that its existing financial position should be sufficient to meet the production and operation of the Group. As such, these financial statements are prepared 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, amortisation of long-term prepaid expenses, and recognition and measurement of revenue.

1. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared by the Company in accordance with the accounting standards for business enterprises, and reflect a true and fair view of the financial position, the operating results and cash flows of the Company and the Group.

2. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

3. Operating cycle

The Group’s operating cycle is 12 months, which is used for the separation of current and non-current assets and liabilities.

4. Functional currency

The reporting currency of the Group is Renminbi (“RMB”).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

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 income for the current period after review.

6. Preparation of consolidated financial statements

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

The scope of consolidation for the consolidated financial statements is determined based on control. 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. In case of changes in the relevant elements involved in the aforesaid definition of control as a result of the changes in facts and circumstance, the Group will conduct re-assessment.

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 unrealized profits within the scope of combination shall be offset. When preparing consolidated financial statements, all significant internal transactions, balances and unrealized 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 re-measured 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.

NOTES TO THE FINANCIAL STATEMENTS

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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 re-measured 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.

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 represents 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.

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 substance.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

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, available-for-sale equity instruments and foreign currency options portfolios. 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.

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 previous 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

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 one of the following conditions is met, 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 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.

When the available-for-sale financial assets are impaired, the accumulated losses which are directly included in the owner's equity as a result of the decline in the fair value shall be transferred out and included in the impairment losses. For available-for-sale financial debt investments for which impairment loss has been recognised, if the subsequent increase in fair value is objectively related to events occurring after the recognition of impairment losses, the recognised impairment loss shall be reversed and included in current profit or loss. For available-for-sale financial equity investments for which impairment loss has been recognised, the subsequent increase in fair value is directly included in current profit or loss.

(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 (the relevant basis for classification is disclosed with reference to the basis for classification of financial assets). They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

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

2) *Conditions of derecognition of financial liabilities*

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(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. The input values used for fair value measurement are divided into three levels. Level 1 input is the unadjusted offer of the same asset or liability that is available on the measurement day in the active market; level 2 input is the input value that can be observed directly or indirectly of the relevant asset or liability other than those in level 1; level 3 input is the unobservable input of the relevant asset or liability. The Group uses level 1 inputs first and level 3 inputs last. Level 1 inputs are used for available-for-sale equity instruments, and level 2 inputs are used for forward exchange settlement business and foreign currency options portfolios. The level of the fair value measurement is determined by the lowest level of the input value which is of great significance to the whole of the fair value measurement.

11. Bad debts provision for receivables

The Group recognizes provision for bad debts when the following conditions are met (including trade and other receivables): 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.

At the end of the year, 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.

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 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 mainly include raw materials, low-valued consumables, work-in-process inventories, finished goods and construction-in-progress (completed but not settled).

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 investments

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

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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 equity interests in investees under common control acquired in a series of transaction which constitute business combination, supplementary disclosure on the accounting of long-term equity investments in the financial statements of the parent company for the period in which the control is acquired. For example, for equity interests in investees under common control acquired in a series of transaction which constitute business combination and a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. 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.

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 equity interests in investees not under common control acquired in a series of transaction which constitute business combination, supplementary disclosure on the accounting of cost of long-term equity investments in the financial statements of the parent company for the period in which the control is acquired. For example, for equity interests in investees not under common control acquired in a series of transaction which constitute business combination and a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. 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 disposes of 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.

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When the Group loses control in the invested company due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal 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 the end of the year, 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.

15. Investment properties

The investment properties of the Group include leased buildings, which are 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:

Type	Useful life (year)	Estimated residual value ratio (%)	Annual depreciation rate (%)
Buildings and structures	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.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets of the Group comprise buildings, machinery equipment, transportation equipment and other equipment.

Apart from fixed assets which are provided in full and continue to use an, 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:

Type	Useful life (year)	Estimated residual value ratio (%)	Annual depreciation rate (%)
Buildings and structures	8-50	3-10	1.8-12.13
Machinery and equipment	6-20	3-10	4.5-16.17
Transportation equipment	10-15	3-10	6.00-9.7
Other equipment	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.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses are recognised in profit or loss for the current period.

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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 from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed.

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 be 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.

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.

The Group's principal research and development projects include those on shipbuilding and design and construction technologies.

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.

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20. Impairment of long-term assets

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. Provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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 prepaid expenses

The Group's long-term prepaid expenses included plant renovation expense and berth slideway renovation expense. 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. The amortization period of plant renovation expense and berth slideway renovation expense ranges from 2-6 years.

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 medial 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. For defined contribution plans, contributions made to a separate entity as at balance sheet date in exchange for the services provided by employees during the accounting period, are included in current profit or loss or the cost of relevant assets based on the beneficiary.

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 and Wenchong Shipyard, subsidiaries of the Company, also have 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.

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

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

23. Accrued 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 cause the outflow of economic benefit from the Group; the amount of liabilities can be measured reliably.

The initial measurement of estimated liabilities is based on the best estimate of the outflow of present obligation by considering relevant risks, uncertainties and time value of money, 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.

24. Production safety fee

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. Principles and measurement method for revenue recognition

The Group's revenue is mainly derived from shipbuilding and offshore engineering products, ship repair, electromechanical products and steel structures. The policies and methods for revenue recognition are as follows:

(1) Shipbuilding and offshore engineering products

The revenue and cost of the shipbuilding and offshore engineering products provided by the Group are recognised in accordance with the requirements of the Accounting Standards for Business Enterprises No. 15 – Construction Contract.

When the outcome of a construction contract can be estimated reliably at the balance date, contract related economic benefits could 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. In using the percentage of completion method, the percentage of completion of contract is determined based on the contract cost already incurred to the total expected contract cost.

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.

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

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

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The Group would usually conduct checking for the progress of ship construction contract at the end of each quarter. 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 first-made shipbuilding contract) or 50% (first-made shipbuilding contract), provision for quarter 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.

(2) **Ship repair**

The Group provides general ship repair business. Due to the short repair cycle, the Group recognises revenue and cost when the ship repair and the relevant settlement procedures are completed.

(3) **Steel structures and electromechanical products**

The revenue and cost of large steel structure products provided by the Group are recognised in accordance with the requirements for construction contracts. The revenue and cost of electromechanical products and other steel structure products of the Group are recognised in accordance with the requirements for sale of goods.

The Group recognises revenue from sale of goods at the contractual price received or receivable from the purchaser when the principal risks and rewards of ownership of goods have been transferred to the buyer, the Group does not retain the usual management rights associated with ownership, nor does it have effective control over the goods sold, the amount of revenue can be measured reliably, the relevant economic benefits are likely to flow into the Group, and the relevant cost incurred or to be incurred can be measured reliably.

(4) **Transfer of asset use rights**

The royalty income arising from the transfer of the right to use the asset is determined based on the timing and method for payment stipulated in the relevant contract or agreement, and is recognised when the economic benefits associated with the transaction are likely to flow into the Group and the amount of income can be measured reliably.

(5) **Dividend income**

Dividend income is recognised when the shareholder's right to receive dividends has been established, and when the amount of economic benefits associated with the transaction that are likely to flow into the Group can be measured reliably.

(6) **Interest income**

Interest income from financial assets is recognised when the economic benefits associated with the transaction are likely to flow into the Group and the amount of income can be measured reliably. Interest income from financial assets is calculated for the principal based on the applicable effective interest rate and the percentage of period (The applicable effective interest rate is the rate at which the estimated return on future cash income to the net value of the asset at the time of initial recognition).

26. **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 be 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).

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The Group classifies government subsidies as grants pertinent to assets and grants pertinent to income. Grants pertinent to assets are the government subsidy used in the generation of long-term assets through construction or others. Grants pertinent to income are the government subsidy other than grants pertinent to assets. If related government documents do not specify the objective of the grants, the Group will make determination based on the aforesaid principles.

Government grants related to assets are recognised as deferred income, and are amortised to profit or loss over the useful life of the related assets.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

For the repayment of a government grant already recognized, if there is any balance of related deferred income, the repayment shall be set-off against the book balance of deferred income, and any excess shall be recognized in profit or loss for the period; if there is no related deferred income, the repayment shall be recognized immediately in profit or loss for the period.

27. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities of the Group are calculated and recognised based on the differences between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax assets are recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

28. Leases

Leases of the Group include 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.

29. Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions:

- (1) the segment can generate revenue and incur expense from day-to-day activities;
- (2) the management of the Group evaluates operating outcomes of the segment periodically in order to make decisions concerning resource distributions and operating result assessments;
- (3) the Group has access to information on the financial position, results of operation and cash flows of the segment.

The Group determines reportable segments based on operating segments. Inter-segment revenue are measured based on the actual transaction price of the transaction.

30. Other significant accounting policies and accounting estimates

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

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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. Impairment of 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. Provision for impairment of 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 estimated 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.25, 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. 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. 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.

31. Change in significant accounting policies and accounting estimates

(1) Change in significant accounting policies

During the year, there were no changes in accounting policies that are required to be disclosed.

(2) Change in significant accounting estimates

During the year, there were no changes in accounting estimates that are required to be disclosed.

V. TAXATION

1. Main taxes and rates

Type	Tax basis	Tax rate
PRC enterprise income tax	Taxable income	15%, 20%, 25%
Hong Kong profits tax	Taxable income	16.5%
Macau income tax	Taxable income	12%
Value-added tax	Domestic sales; provision of processing, repair and repair services; rental income	17%
	Revenue from construction and installation business ^{Note}	11%
	Modern services industry ^{Note}	6%
Business tax	Revenue from construction and installation business ^{Note}	3%
	Revenue from other services ^{Note}	5%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

Note: 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.

Notes on taxpayers subject to different enterprise income tax rates:

Company Name	Tax rate	Remarks
the Company	25%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Glory Group Development Co., Ltd.	16.5%	Incorporated in Hong Kong
Fanguang Development Co., Ltd.	16.5%	Incorporated in Hong Kong
Fanguang (Macau) Development Single Person Co., Ltd.	12%	Incorporated in Macau
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprises
Other subsidiaries	25%	

2. Preferential taxation treatment

(1) Value-added tax

Export income: The Group is an enterprise engaged in production and operation. Tax relief, credit and rebate policy is applicable to all of its self-produced goods for export. The tax rebate rate is 17% for ship products, 9% for steel structure products and 15% for large equipment.

Revenue from military products: Value-added tax is exempted for military production (order) contracts upon completion of the relevant procedures for tax relief.

Revenue from software: In accordance with the Circular of the State Administration of Taxation of the Ministry of Finance on the Value-added Tax Policy of Software Products (Cai Shui [2011] No. 100), value-added tax at a rate of 17% is applicable to sales of self-developed software by a value-added tax general taxpayer, and the portion of actual value-added tax burden in excess of 3% may be recovered upon payment in accordance with the relevant policy.

NOTES TO THE FINANCIAL STATEMENTS

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(2) Enterprise income tax

The Company passed the certification of first batch of high-tech enterprises in 2014 with a validity period: three years. 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. In 2016, the Company is no longer qualified as a high technology enterprise and as such is no longer entitled to preferential income tax treatments. The income tax rate of 25% is applicable to the Company.

Guangzhou Hongfan Technology Co., Ltd., a subsidiary of the Company, passed the certification of first batch of high-tech enterprises in 2014 with a validity period: three years, enterprise income tax for 2016 shall be paid at a rate of 15%;

CSSC Huangpu Wenchong Shipbuilding Company Limited, a subsidiary of the Company, passed the certification of second batch of high-tech enterprises in 2015 with a validity period: three years, enterprise income tax for 2016 shall be paid at a rate of 15%;

Guangzhou Shipyard International Company Limited and Guangzhou Wenchong Shipyard Co. Ltd., both subsidiaries of the Company, passed the certification of third batch of high-tech enterprises in 2016 with a validity period: three years, enterprise income tax for 2016 shall be paid at a rate of 25% as the Company fails to complete tax filing.

VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the following disclosed financial statement data, unless specifically noted, "Beginning Balance" refers to 1 January 2016; and "Ending Balance" refers to 31 December 2016. "Current Year" refers to the period from 1 January 2016 to 31 December 2016; "Last Year" refers to the period from 1 January 2015 to 31 December 2015. The currency is in RMB.

1. Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash	463,241.63	456,708.87
Bank deposits	9,884,636,728.42	9,232,133,831.88
Other cash at bank and on hand	2,462,870,008.21	8,431,775,214.17
Total	12,347,969,978.26	17,664,365,754.92
Including: Total amount deposited overseas	225,936,178.01	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 RMB69,785.00 (beginning balance: RMB55,055.43); bank drafts of RMB265,613.43 (beginning balance: RMB0.00); letter of guarantee and deposit for letter of credit of RMB594,060,933.44 (beginning balance: RMB10,471,716.20); deposit for construction of RMB5,092,920.54 (beginning balance: RMB5,092,920.54); fixed deposit pledged for long-term and short-term mortgage loans of RMB197,252,094.37 (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 RMB1,450,411,320.00 (beginning balance: RMB3,839,844,080.00); deposit for bank acceptance bills of RMB200,000,000.00 (beginning balance: RMB200,000,000.00); and employee housing funds of RMB15,717,341.43 (beginning balance: RMB0.00).

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		13,063,411.11
Including: Forward exchange contracts		13,063,411.11
Total		13,063,411.11

NOTES TO THE FINANCIAL STATEMENTS

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

Item	Ending fair value	Beginning fair value
Listed		
Unlisted		13,063,411.11
Total		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 for the relevant period 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 (contract rate – public rate)/discount rate^{year}.

As for forward purchase foreign exchange contract, choose the lowest price to be input value, fair value=exchange price* (public rate – contract rate)/discount rate^{year}.

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

3. Notes receivable

(1) **Types of notes receivable**

Item	Ending balance	Beginning balance
Bank acceptance notes	111,968,354.58	21,097,180.25
Commercial acceptance notes	10,976,919.99	
Total	122,945,274.57	21,097,180.25

The ageing of these notes receivable of the Group as at the end of the year were all less than 180 days.

(2) **There were no notes receivable pledged as at the end of the year**

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

Item	Amount derecognized as at the end of the year	Amount not derecognized as at the end of the year
Bank acceptance notes	20,875,033.39	
Commercial acceptance notes		
Total	20,875,033.39	

4. Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	1,312,727,362.83	1,747,486,656.26
Less: Provision for bad debts	31,758,575.66	37,519,261.20
Net amount	1,280,968,787.17	1,709,967,395.06

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(1) The ageing analysis of accounts receivable as at the transaction date (including accounts receivable from connected persons) is as follows:

Ageing	Ending balance		Percentage (%)
	Accounts receivable	Provision for bad debts	
Within 1 year	921,591,190.56	4,602,120.49	0.50
1-2 years	327,841,342.80	16,670,168.94	5.08
2-3 years	28,494,054.02	212,222.62	0.74
3-4 years	14,734,622.57	291,563.68	1.98
4-5 years	9,859,520.44	4,502,160.91	45.66
Over 5 years	10,206,632.44	5,480,339.02	53.69
Total	1,312,727,362.83	31,758,575.66	2.42

(Continued)

Ageing	Beginning balance		Percentage (%)
	Accounts receivable	Provision for bad debts	
Within 1 year	1,629,786,151.55	12,095,764.59	0.74
1-2 years	61,228,720.04	364,792.83	0.60
2-3 years	21,062,108.45	225,691.11	1.07
3-4 years	14,215,910.78	9,164,423.64	64.47
4-5 years	11,257,082.83	9,627,071.05	85.52
Over 5 years	9,936,682.61	6,041,517.98	60.80
Total	1,747,486,656.26	37,519,261.20	2.15

(2) Terms of sales on credit

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

(3) Classification of accounts receivable by risk

Type	Ending balance					Beginning balance				
	Book value		Provision for bad debts		Net amount	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	18,128,000.00	1.38	10,876,800.00	60.00	7,251,200.00					
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	1,280,117,698.16	97.52	6,400,110.99	0.50	1,273,717,587.17	1,718,560,196.04	98.35	8,592,800.98	0.50	1,709,967,395.06
Accounts receivable that are individually insignificant but for which bad debt provision have been made on an individual basis	14,481,664.67	1.10	14,481,664.67	100.00	-	28,926,460.22	1.65	28,926,460.22	100.00	0.00
Total	1,312,727,362.83	-	31,758,575.66	-	1,280,968,787.17	1,747,486,656.26	-	37,519,261.20	-	1,709,967,395.06

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From 1 January 2016 to 31 December 2016

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- 1) *Accounts receivable that are individually significant and are provided for bad debts separately as at the end of the year*

Name	Ending balance			Reasons for provision
	Accounts receivable	Provision for bad debts	Percentage (%)	
Shenzhen Shunchang Ocean Fishery Co., Ltd.	18,128,000.00	10,876,800.00	60.00	Note
Total	18,128,000.00	10,876,800.00	-	-

Note: There are disputes about the quality of the completed ships (delivered ships) between Guangzhou Wenchong Shipyard Co. Ltd., a subsidiary of the Company, and Shenzhen Shunchang Ocean Fishery Co., Ltd., the ship owner, and the remaining balance is expected to be unable to recover.

- 2) *Accounts receivable in the portfolio for which bad debt provision is made using percentage method:*

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	920,675,642.39	4,602,120.49	0.50
1-2 years	311,146,118.85	1,555,847.34	0.50
2-3 years	27,311,830.01	137,222.62	0.50
3-4 years	14,515,637.08	72,578.19	0.50
4-5 years	2,170,687.50	10,853.44	0.50
Over 5 years	4,297,782.33	21,488.91	0.50
Total	1,280,117,698.16	6,400,110.99	-

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

Name	Accounts receivable	Provision for bad debts	Ending balance	Reasons for provision
			Percentage (%)	
TENOVA AUSTRALIA PTY LTD	4,237,521.60	4,237,521.60	100.00	Expected to be unable to recover due to contractual disputes
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	2,853,793.41	2,853,793.41	100.00	There are signs of impairment due to long overdue
Chongqing Yuandong Fushi Electromechanical Company	894,670.00	894,670.00	100.00	There is risk of collection as the agency has been unable to recover from the owner.
Fuzhou Hongjia Electronic Technology Company	653,188.00	653,188.00	100.00	There is risk of collection as the agency has been unable to recover from the owner.
Chongqing South Group Company	263,698.87	263,698.87	100.00	As agreed in contract, the accounts receivable shall be set off against with properties, and there are disputes about the amount payable
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Long ageing and low probability of recovery
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Long ageing and low probability of recovery
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long ageing and low probability of recovery
China Railway 12th Bureau Group Co., Ltd.	138,281.00	138,281.00	100.00	Long ageing and low probability of recovery
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Long ageing and low probability of recovery
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long ageing and low probability of recovery
Wuhan Yuji Property Co., Ltd.	105,500.00	105,500.00	100.00	There is risk of collection as the agency has been unable to recover from the owner.
15 other companies	586,456.27	586,456.27	100.00	
Total	14,481,664.67	14,481,664.67	-	-

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

Provision for bad debts made during the year amounted to RMB10,900,429.89; provision for bad debts released or reversed during the year amounted to RMB9,764,385.10.

Significant provision for bad debts recovered or reversed during the year:

Name	Amount reversed (or released) during the year	Recovery method	Reason for reversal (or release) during the year
THYSSENKRUPP MATERIALS HANDLING	9,658,385.10	Note	Note
Yin Ganhui	36,000.00	Cash receipts	Receipt of goods payment
Chengdu Merro Steel Grating Co., Ltd.	35,000.00	Cash receipts	Receipt of goods payment
Fuzhou Hongjia Electronic Technology Company	35,000.00	Cash receipts	Receipt of goods payment
Total	9,764,385.10		-

Note: The balance of accounts receivable of the Company due from THYSSENKRUPP MATERIALS HANDLING ("TKMH") for the reclaimer project was RMB9,658,385.10, which had been unable to recover due to quality disputes. In 2015, the Company made full provision for impairment of the balance of accounts receivable. On 8 April 2016, the parties agreed through negotiations that TKMH agreed to waive its quality claim and return the quality guarantee for the project and the Company agreed to waive the right to claim accounts receivable from TKMH in order to compensate TKMH for all the maintenance expense for all quality defects for reason of the Company identified by it. As a result, the Company reversed the provision for bad debts for accounts receivable of RMB9,658,385.10 and made provision for cost of sales and maintenance fee of RMB9,658,385.10.

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

Item	Amount written-off
Accounts receivable written-off	6,896,730.33

Significant accounts receivable written-off:

Name	Nature of accounts receivable	Amount written-off	Reason for writing-off	Procedures for writing-off	Whether arising from related party transaction
Guangzhou Weikang Coking Equipment Technology Co., Ltd.	Construction expenses	21,429.00	Unable to recover due to quality issue	Approved by management	No
Chongqing Guangchuan Elevators Co., Ltd.	Loan and retention money	129,999.76	Unable to recover despite efforts	Approved by management	No
Chongqing Yicheng Property Co., Ltd.	Loan and retention money	123,465.32	Unable to recover despite efforts	Approved by management	No
Guilin Hongyuan Elevators Company	Loan and retention money	398,250.00	Unable to recover despite efforts	Approved by management	No
Changshu Danieli Metallurgical Equipment Co., Ltd.	Construction expenses	700,000.00	Warranty, agreed by the parties not to be recovered	Approved by management	No
ASTA LTD-KINGSTOWN ST.VINCENT AND THE GRENADINES C/O	Ship repair	5,523,586.25	No remaining balance for repayment following auction	Resolution of the Board	No
Total	-	6,896,730.33	-		-

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(6) Top five accounts receivable by ending balance of debtors

Name of company	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Entity 1	Third party	161,762,729.13	1-2 years	12.32	808,813.65
Entity 2	Third party	161,556,726.00	0-5 years	12.31	807,783.63
Entity 3	Third party	148,740,137.30	0-2 years	11.33	743,700.69
Entity 4	Third party	95,181,300.00	0-2 years	7.25	475,906.50
Entity 5	Third party	85,770,000.00	Within 1 year	6.53	428,850.00
Total		653,010,892.43		49.74	3,265,054.47

5. Prepayments

(1) Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,087,901,918.19	45.86	2,031,907,046.94	80.78
1-2 years	955,452,924.43	40.27	444,791,064.71	17.69
2-3 years	298,105,096.33	12.57	21,182,886.96	0.84
Over three years	30,885,749.52	1.30	17,377,066.84	0.69
Total	2,372,345,688.47	–	2,515,258,065.45	–

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

Name	Relationship with the Company	Amount	Including: Over 1 year	Among aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for unsettlement
EMERINTERNATTONALLIMITED	Third party	311,025,199.03	302,195,059.03	12.74	0-2 years	Equipment not inspected and accepted
China Shipbuilding Trading Shanghai Co., Ltd.	Under common control of CSSC	243,644,805.55	227,262,064.87	9.58	0-2 years	Equipment not inspected and accepted
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Under common control of CSSC	372,249,931.14	164,756,748.80	6.94	0-3 years	Equipment not received yet
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Under common control of CSSC	65,980,000.00	37,800,000.00	1.59	0-2 years	Equipment not received yet
Tognum Aisa Ltd.	Third party	28,854,422.00	28,854,422.00	1.22	2-3 years	Equipment not received yet
ZentechIncorporated	Third party	43,029,618.20	26,521,861.40	1.12	0-2 years	Equipment not inspected and accepted
China Shipbuilding Industry Corporation A Research Institute	Third party	28,200,000.00	20,700,000.00	0.87	0-2 years	Project unsettled
HAVYARDESIGN&SOLUTIONSAS	Third party	19,134,345.62	19,134,345.62	0.81	2-4 years	Equipment not inspected and accepted
EAGLEPOINTINTERNATIONAL LIMITED	Third party	16,307,279.97	14,106,949.43	0.59	0-3 years	Equipment not inspected and accepted
BFT Marine (HK) Limited	Third party	4,666,930.79	4,666,930.79	0.20	1-2 years	Equipment not received yet
China Zhiteng Development Co., Ltd.	Third party	4,573,109.50	4,573,109.50	0.19	2-3 years	Project unsettled
Total		1,137,665,641.80	850,571,491.44	35.85		

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

Name	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	372,249,931.14	0-3 years	15.69
EMERINTERNATTONALLIMITED	311,025,199.03	0-2 years	13.11
China Shipbuilding Trading Shanghai Co., Ltd.	243,644,805.55	0-2 years	10.27
Eastern Shanghai Heavy Machinery Co., Ltd.	87,097,085.47	Within one year	3.67
ABBESHANGHAIFREETRADEZONEINDUSTRIAL CO.,LTD	72,940,636.23	Within one year	3.07
Total	1,086,957,657.42	-	45.81

6. **Interest receivable**

Item	Ending balance	Beginning balance
Term deposits	90,472,939.16	155,659,076.01
Entrusted wealth management products	47,770,904.10	36,676,712.33
Total	138,243,843.26	192,335,788.34

As at the end of the year, the Group had no overdue interest receivable.

7. **Dividends receivable**

Investee	Ending balance	Beginning balance
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	0.00	635,116.05
Total	0.00	635,116.05

8. **Other receivables**

Name of item	Ending balance	Beginning balance
Other receivables	83,253,636.68	708,305,951.44
Less: Provision for bad debts	10,805,479.86	13,929,769.20
Net amount	72,448,156.82	694,376,182.24

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(1) Breakdown of other receivables

Type	Ending balance					Beginning balance				
	Book value		Provision for bad debts			Book value		Provision for bad debts		
	Amount	Percentage (%)	Amount	Provision Percentage (%)	Carrying value	Amount	Percentage (%)	Amount	Provision Percentage (%)	Carrying value
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	12.42	10,340,232.15	100.00	0.00	10,340,232.15	1.45	10,340,232.15	100.00	0.00
Other receivables subject to collective provision for bad debts based on credit risk features	72,813,094.53	87.46	364,937.71	0.50	72,448,156.82	697,865,409.29	98.54	3,489,227.05	0.50	694,376,182.24
Other receivables that are individually insignificant but for which the provision have been made on an individual basis	100,310.00	0.12	100,310.00	100.00	0.00	100,310.00	0.01	100,310.00	100.00	0.00
Total	83,253,636.68	-	10,805,479.86	-	72,448,156.82	708,305,951.44	-	13,929,769.20	-	694,376,182.24

1) Individually significant and subject to separate provision for bad debts as at the end of the year

Name	Ending balance			Reasons for provision
	Book value	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 investigated by the court, Konwin had no assets available for execution as at the end of 2016. Guangzhou Intermediate People's Court had ordered the suspension of execution. The Company expects that it will be unable to recover the amount.

2) Other receivables in the portfolio for which bad debt provision is made using percentage method

Name of portfolio	Other receivables	Ending balance Provision for bad debts	Percentage (%)
No more than one year	55,385,757.29	277,801.01	0.50
1-2 years	4,931,138.34	24,655.69	0.50
2-3 years	2,796,798.88	13,984.01	0.50
3-4 years	1,490,254.48	7,451.25	0.50
4-5 years	641,497.69	3,207.49	0.50
Over 5 years	7,567,647.85	37,838.26	0.50
Total	72,813,094.53	364,937.71	-

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- 3) 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 Tian He District People's Court in Guangzhou City	57,600.00	57,600.00	100.00	Uncollectible
Guangdong Machinery Import & Export Co., Ltd.	33,210.00	33,210.00	100.00	Uncollectible
	9,500.00	9,500.00	100.00	Uncollectible
Total	100,310.00	100,310.00	-	-

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

Provision for bad debts made during the year amounted to RMB-3,124,289.34; provision for bad debts released or reversed during the year amounted to RMB0.

(3) **Classification of other receivables by nature**

Nature	Book value as at the end of the year	Book value as at the beginning of the year
Refundable deposits	8,899,170.30	3,838,041.89
Temporary payments receivable	2,768,631.51	16,846,137.76
Grants receivable	1,210,000.00	24,921,565.79
Reserve funds	35,842,790.63	34,878,152.38
Other current account	34,533,044.24	34,132,238.62
Equity transfer payment		593,689,815.00
Total	83,253,636.68	708,305,951.44

(4) **Top five other receivables by debtor as at the end of the year:**

Name	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debts
Konwin International Limited	Unable to recover debts	10,340,232.15	Over 5 years	12.42	10,340,232.15
Guangdong Yuanyang Transportation Co., Ltd.	Interest on amounts overdue	4,851,114.78	Within 1 year	5.83	24,255.57
Guangzhou Nansha Pingqian Automobile Industrial Park Co., Ltd.	Plant deposit	3,982,863.00	2-5 years	4.78	19,914.32
PICC Property and Casualty Company Limited Dalian Branch	Insurance claims	2,713,943.39	Within one year	3.26	13,569.72
Yantai Jiatai Ship Engineering Co., Ltd.	Current account	1,757,548.59	1-2 years	2.11	8,787.74
Total		23,645,701.91		28.40	10,406,759.50

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(5) Other receivables relating to government grants

Name	Grant item	Ending balance	Ageing	Expected receipt		
				Date	Amount	Basis
Guangzhou Technological Innovation Committee	Post-R&D grant	1,210,000.00	Within 6 months	2017	1,210,000.00	"Public disclosure of proposed special subsidy for post-R&D of enterprises in Guangzhou in 2016", "Public disclosure of financial subsidy for enterprise research and development and upgrading in Guangdong Province in 2016" issued by Guangdong Provincial Department of Science and Technology and Guangdong Provincial Department of Finance
Total	-	1,210,000.00	-	-	-	-

9. Inventories

(1) Classification of inventories

Item	Ending balance			Beginning balance		
	Book value	Provision for decline in value	Carrying value	Book value	Provision for decline in value	Carrying value
Raw materials	2,020,690,142.95	21,366,160.16	1,999,323,982.79	2,011,571,552.79	23,373,095.36	1,988,198,457.43
Works in progress	1,088,232,200.88	108,139,310.63	980,092,890.25	1,049,300,993.01	22,581,177.14	1,026,719,815.87
Finished goods	21,152,693.65	15,951.95	21,136,741.70	27,782,549.68	15,951.95	27,766,597.73
Completed and unsettled assets arising from construction contracts	9,385,369,887.34	79,210,653.85	9,306,159,233.49	8,268,934,660.21	607,793,041.24	7,661,141,618.97
Goods in transit	42,892,168.93		42,892,168.93	38,847,053.44		38,847,053.44
Total	12,558,337,093.75	208,732,076.59	12,349,605,017.16	11,396,436,809.13	653,763,265.69	10,742,673,543.44

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(2) Provision for decline in value of inventories

Item	Beginning balance	Increase for the year		Decrease for the year		Ending balance
		Provision	Others	Reversal or writing-off	Other transfer-out	
Raw materials	23,373,095.36	6,696,804.98		8,703,740.18		21,366,160.16
Works in progress	22,581,177.14	47,388,309.71	38,999,578.49	829,754.71		108,139,310.63
Finished goods	15,951.95					15,951.95
Completed and unsettled assets arising from construction contracts	637,582,569.40	184,636,691.09	-38,999,578.49	597,461,777.58		185,757,904.42
Including: Capitalized construction contracts (under inventories)	607,793,041.24	-	-	-	-	79,210,653.85
Capitalized construction contracts (under estimated liabilities)	29,789,528.16	-	-	-	-	106,547,250.57
Subtotal	683,552,793.85	238,721,805.78	0.00	606,995,272.47	0.00	315,279,327.16
Less: Capitalized construction contracts (under estimated liabilities)	29,789,528.16	-	-	-	-	106,547,250.57
Total	653,763,265.69	-	-	-	-	208,732,076.59

(3) Provision for decline in value of inventories made

Item	Basis for determination of net realisable value	Reason for reversal (or release) during the year
Raw materials	Book value higher than net realisable value (Estimated disposal proceeds less taxes)	Production and reuse
Works in progress	Book value higher than net realisable value (Estimated disposal proceeds related costs and expenses)	Completed for sale
Finished goods	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) There were no capitalised borrowing costs included in ending balance of inventories.

(5) Completed and unsettled assets arising from construction contracts

Item	Amount
Accumulated cost incurred	17,863,575,314.00
Accumulated gross profit recognised	458,757,468.85
Less: Expected loss	79,210,653.85
Amount settled	8,936,962,895.51
Completed and unsettled assets arising from construction contracts	9,306,159,233.49

10. Other current assets

Item	Ending balance	Beginning balance	Remarks
Entrusted wealth management products note	300,000,000.00	705,000,000.00	Note 1
Wealth management products	140,000,000.00		
Value-added tax credit	1,592,964,428.05		
Total	1,892,964,428.05	845,000,000.00	Total

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Note: The breakdown of the entrusted wealth management products due within one year is as follows:

Client	Trustee	Amount	Date of commencement	Date of ending
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	300,000,000.00	2014-12-29	2017-06-21
Total		300,000,000.00		

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	3,151,874.04		3,151,874.04	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	23,618,663.31	4,716,310.26	18,902,353.05	23,984,652.15	4,716,310.26	19,268,341.89

(2) Available-for-sale financial assets measured at fair value as at the end of the year

Item	Available-for-sale equity instruments	Total
Cost of equity instruments/amortized cost of debt instruments	1,155,497.30	1,155,497.30
Fair value	3,151,874.04	3,151,874.04
Accumulated amount of changes in fair value included in other comprehensive income	1,996,376.74	1,996,376.74
Amount of provision made		

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

Investee	Book value				Provision for impairment				Shareholding percentage in investee (%)	Cash dividend for the year
	Beginning balance	Current year Increase	Current year Decrease for the period	Ending balance	Beginning balance	Increase for the year	Decrease for the year	Ending balance		
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					20.00	
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	1,000,000.00			1,000,000.00					4.05	
Shanghai Yangzi International Travel Agent Co., Ltd.	497,758.10			497,758.10					10	
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46			380,040.46					5.07	
Guangzhou Xinzhou Service Co., Ltd.	106,425.00			106,425.00					6.25	
Total	20,466,789.27			20,466,789.27	4,716,310.26			4,716,310.26	-	

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(4) Provision for impairment of financial assets available-for-sale

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Total
Amount of provision made as at the end of the year	4,716,310.26	4,716,310.26
Provision made during the year		
Including: transferred from other comprehensive income		
Decrease for the year		
Including: subsequent reversal arising from increase in fair value		
Amount of provision made as at the end of the year	4,716,310.26	4,716,310.26

(5) Analysis of available-for-sale financial assets

Item	Ending balance	Beginning balance
Listed	3,151,874.04	3,517,862.88
Including: China (except Hong Kong)	3,151,874.04	3,517,862.88
Unlisted	15,750,479.01	15,750,479.01
Total	18,902,353.05	19,268,341.89

12. Long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value	
Receipt in installments for sale of goods	601,815,597.04	123,023,953.07	478,791,643.97	443,507,053.80	87,365,807.93	356,141,245.87	
Total	601,815,597.04	123,023,953.07	478,791,643.97	443,507,053.80	87,365,807.93	356,141,245.87	

Note: Receipt in installments for sale of goods represents shipbuilding payment received in installments. The present value of its estimated future cash flows is lower than its carrying amount, and the Group determined the impairment loss based on the difference and made provision for impairment accordingly.

13. Long-term equity investments

(1) Breakdown of long-term equity investments

Investee	Beginning balance	Additional investment	Decrease in investment	Change for the year					Others	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											
Zhenjiang CSSC Equipment Modern Co., Ltd.	44,291,602.83			1,601,875.98		281,067.42	1,161,600.00			45,012,936.23	
South China Special Coating Industrial Co., Ltd.	3,770,620.40			200,879.95						3,971,500.35	
CSSC Liner Technology Development Co., Ltd.		20,000,000.00		-22,759.92						19,977,240.08	
II. Joint ventures											
Baiyin Santeng Wenchuan Environmental Protection Power Generation Co., Ltd.	30,000,000.00		30,000,000.00								
Total	78,062,223.23	20,000,000.00	30,000,000.00	1,779,996.01		281,067.42	1,161,600.00			68,961,676.66	

Note: For details of reduction in investments during the year, please refer to Note VI.64 "Gain on disposal of investments or properties".

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(2) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	68,961,676.66	78,062,223.23
Total	68,961,676.66	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 for the year		
3. Decrease for the year		
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 for the year	628,712.16	628,712.16
(1) Provision made or amortisation	628,712.16	628,712.16
3. Decrease for the year		
4. Ending balance	6,291,663.16	6,291,663.16
III. Provision for impairment		
1. Beginning balance		
2. Increase for the year		
3. Decrease for the year		
4. Ending balance		
IV. Carrying amount		
1. Ending carrying amount	22,880,075.84	22,880,075.84
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 the year is RMB628,712.16 (Last year: RMB628,712.16).

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

Investment properties analyzed by region and term:

Item	Ending balance	Beginning balance
Within China	22,880,075.84	23,508,788.00
Medium term (10-50 years)	22,880,075.84	23,508,788.00
Total	22,880,075.84	23,508,788.00

(2) Investment properties without property ownership certificates: None

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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 for the year	653,671,800.75	292,640,574.48	5,629,250.74	95,456,750.07	1,047,398,376.04
(1) Purchase		59,573,678.34	10,938,039.28	14,752,624.27	85,264,341.89
(1) Transfer from construction in progress	652,891,870.92	286,679,293.25	3,191,026.04	19,371,843.94	962,134,034.15
(3) Other transfer-in	779,929.83	-53,612,397.11	-8,499,814.58	61,332,281.86	
3. Decrease for the year	1,191,981.15	63,195,700.36	7,394,279.74	16,799,763.66	88,581,724.91
(1) Disposal or retirement	1,191,981.15	63,195,700.36	7,394,279.74	16,799,763.66	88,581,724.91
4. Ending balance	9,375,638,482.46	5,330,592,641.36	744,247,952.54	395,315,554.38	15,845,794,630.74
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 for the year	299,136,663.12	235,435,918.93	47,290,827.77	79,513,558.90	661,376,968.72
(1) Provision made	298,192,778.29	284,111,744.54	48,630,589.32	30,441,856.57	661,376,968.72
(2) Other transfer-in	943,884.83	-48,675,825.51	-1,339,761.55	49,071,702.33	
3. Decrease for the year	641,801.57	53,821,928.31	6,161,198.77	15,838,584.41	76,463,513.06
(1) Disposal or retirement	641,801.57	53,821,928.31	6,161,198.77	15,838,584.41	76,463,513.06
4. Ending balance	1,856,403,743.84	2,431,462,531.91	408,272,879.84	234,773,903.97	4,930,913,059.56
III. Provision for impairment					
1. Beginning balance		7,243,292.70			7,243,292.70
2. Increase for the year			1,752,651.50		1,752,651.50
3. Decrease for the year		828,467.46			828,467.46
(1) Disposal or retirement		828,467.46			828,467.46
4. Ending balance		6,414,825.24	1,752,651.50		8,167,476.74
IV. Carrying amount					
1. Ending carrying amount	7,519,234,738.62	2,892,715,284.21	334,222,421.20	160,541,650.41	10,906,714,094.44
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 the year is RMB661,376,968.72 (Last year: RMB662,525,304.29).

Included in fixed assets added during the year is RMB962,134,034.15 for capitalized construction in progress.

(2) Fixed assets leased out through operating leases

Item	Carrying value
Buildings and structures	909,274,948.35
Machinery and equipment	210,651,747.04
Transportation vehicles	2,945,671.30
Other equipment	974,466.63
Total	1,123,846,833.32

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

Item	Ending balance	Beginning balance
Within China	7,504,616,349.18	7,150,278,667.66
Medium term (10-50 years)	7,504,616,349.18	7,150,278,667.66
Outside China	14,618,389.44	14,971,112.91
Long term (over 50 years)	14,618,389.44	14,971,112.91
Total	7,519,234,738.62	7,165,249,780.57

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(4) Fixed assets without property ownership certificates

As at the end of the year, included in fixed assets were properties with carrying amount of RMB336,378,795.09 for which the property ownership certificate was being applied for. Given the aforesaid properties were in compliance with the relevant legal procedures, the Board believes that the transfer of its title will not meet any substantial obstacle or affect their normal use by the Group and will have no material impact on the normal operation of the Group. As such, no provision for impairment is required for investment properties and there will be no additional material costs.

Item	Carrying value	Reason for failure to obtain property ownership certificates
Ship joining workshop	130,825,801.68	In the process of obtaining ownership certificate
Machinery processing workshop	103,420,769.74	Not obtained for the whole land parcel
Assembly and welding workshop	58,505,867.77	In the process of obtaining ownership certificate
Production and living support building	13,848,948.77	In the process of obtaining ownership certificate
Protection building project for submarine force at Longxue Factory	7,051,984.93	In the process of obtaining ownership certificate
Integrated building of machinery processing center	7,065,962.89	Not obtained for the whole land parcel
1# power distribution room	5,409,084.39	In the process of obtaining ownership certificate
Ship owner's auxiliary building for new platform at Longxue Factory	4,789,314.25	In the process of obtaining ownership certificate
Oil paint, oil and chemicals storage	2,761,299.43	In the process of obtaining ownership certificate
Oily waste storage room	955,842.42	In the process of obtaining ownership certificate
1# natural gas pressure regulating and blending station	686,342.39	In the process of obtaining ownership certificate
Public toilet	587,298.17	In the process of obtaining ownership certificate
Weigh house	470,278.26	In the process of obtaining ownership certificate
Total	336,378,795.09	

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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
Nansha Factory upgrading project	221,633,107.89		221,633,107.89	23,153,375.06		23,153,375.06
Maritime engineering equipment production facilities improvement project at Longxue Factory	129,035,197.54		129,035,197.54	154,131,152.83		154,131,152.83
Project 8	42,572,139.36		42,572,139.36			
Residential project for workers	72,983,325.52		72,983,325.52	71,800,258.90		71,800,258.90
Offshore platform project	35,628,531.49		35,628,531.49	30,381,945.09		30,381,945.09
Project 7	29,897,873.52		29,897,873.52	57,519,747.92		57,519,747.92
Technological upgrading project	27,574,872.09		27,574,872.09	36,523,242.66		36,523,242.66
Offshore engineering project phase I	16,397,746.44		16,397,746.44	16,302,940.78		16,302,940.78
Project 2	13,842,426.27		13,842,426.27	14,778,793.05		14,778,793.05
Elevator and decompression bed construction project	13,081,044.34		13,081,044.34	9,836,135.69		9,836,135.69
Project 6	10,841,254.13		10,841,254.13	12,857,724.17		12,857,724.17
Project 5	8,540,676.98		8,540,676.98	8,373,143.47		8,373,143.47
Project 3	6,712,359.81		6,712,359.81	11,607,396.81		11,607,396.81
Pipe distribution warehouse project	4,809,053.77		4,809,053.77	3,395,959.84		3,395,959.84
CO2 welding machine	4,096,558.36		4,096,558.36	0		0
Construction contract for 16 meter self-moving mobile barges	3,327,976.64		3,327,976.64	0		0
External workers shift room	3,113,244.35		3,113,244.35	1,754,315.42		1,754,315.42
Phase 2 of singles' quarter	2,339,490.07		2,339,490.07	2,198,093.36		2,198,093.36
Filling up project	2,204,560.49		2,204,560.49	1,147,905.65		1,147,905.65
Coating room upgrading at Yangzhou project	1,830,913.13		1,830,913.13	2,871,197.64		2,871,197.64
Coating shelter power substation civil works	1,587,485.51		1,587,485.51	744,540.69		744,540.69
Replacement of underground kinetic energy pipelines at Nansha Factory	1,556,689.68		1,556,689.68	537,415.98		537,415.98
Renovation of night shift quarter and food processing centre	1,335,746.90		1,335,746.90	290,544.48		290,544.48
Equipment addition at material terminal (32t gantry crane)	1,068,690.00		1,068,690.00	1,068,690.00		1,068,690.00
Canteen upgrading project	992,045.68		992,045.68	540,515.64		540,515.64
Project 4	928,121.65		928,121.65	9,667,882.20		9,667,882.20
Construction of Zhongshan Base (Phrase I)	140,354.58		140,354.58	10,126,087.90		10,126,087.90
Shipbuilding platform				203,061,049.83		203,061,049.83
2 sets of 200T gantry cranes project and auxiliary project				7,084,715.82		7,084,715.82
Energy upgrading for Nos.7-9 slipways				5,195,889.08		5,195,889.08
Advance works for repair and upgrading for Nos.7-9 slipways				2,455,069.87		2,455,069.87
Other projects	12,679,354.22		12,679,354.22	32,331,830.65		32,331,830.65
Total	670,750,840.41		670,750,840.41	731,737,560.48		731,737,560.48

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(2) Change in material construction in progress

Name of item	Beginning balance	Increase for the year	Decrease for the year		Ending balance
			Transfer to fixed assets	Other decreases	
Nansha Factory upgrading project	23,153,375.06	198,479,732.83			221,633,107.89
Maritime engineering equipment production facilities improvement project at Longxue Factory	154,131,152.83	194,204,683.56	219,300,638.85		129,035,197.54
Project 8		45,238,656.45	2,666,517.09		42,572,139.36
Technological upgrading project	36,523,242.66	53,053,660.09	62,002,030.66		27,574,872.09
Residential project for workers	71,800,258.90	1,183,066.62			72,983,325.52
Offshore platform project	30,381,945.09	5,732,949.81	486,363.41		35,628,531.49
Project 7	57,519,747.92	29,561,313.90	57,183,188.30		29,897,873.52
Offshore engineering project phase I	16,302,940.78	5,718,685.44	5,623,879.78		16,397,746.44
Project 2	14,778,793.05	36.00	936,402.78		13,842,426.27
Elevator and decompression bed construction project	9,836,135.69	3,244,908.65			13,081,044.34
Project 6	12,857,724.17	205,306.25	2,210,256.47	11,519.82	10,841,254.13
Project 3	11,607,396.81	543,907.00		5,438,944.00	6,712,359.81
Project 4	9,667,882.20	455,164.78	9,194,925.33		928,121.65
Assets allocation at Longxue Building		130,723,652.11	130,000,000.00		723,652.11
Shipbuilding platform	203,061,049.83	217,276,688.38	420,337,738.21		
Total	651,621,644.99	885,622,411.87	909,941,940.88	5,450,463.82	621,851,652.16

(Continued)

Name of item	Budgeted amount	Budget use-up ratio (%)	Progress	Accumulated interest capitalised	Including: Current year Interest capitalised	Interest capitalisation ratio for the year (%)	Source of funding
Nansha Factory upgrading project	1,333,760,000.00	16.72	Under construction	1,126,682.31	1,126,682.31	1.08	Loan/self-financed
Maritime engineering equipment production facilities improvement project at Longxue Factory	653,000,000.00	52.21	Under construction				Self-financed/loans
Project 8	453,000,000.00	16.16	Under construction				State-subsided/self-financed
Technological upgrading project	40,000,000.00	99.00	Under construction				Self-financed
Residential project for workers	568,440,000.00	25.71	Under construction	5,321,235.58	72.95		Self-financed/loans
Offshore platform project	278,630,000.00	53.45	Under construction	17,343,698.68	5,227,080.59	4.28	Self-financed/loans
Project 7	424,940,000.00	80.56	Under construction	1,945,259.10	1,952,207.62	4.28	State-subsided/loan/self-financed
Offshore engineering project phase I	770,000,000.00	97.29	Under construction	65,768,454.86			Self-financed/loans
Project 2	499,060,000.00	105.02	Under construction	37,214,094.71			Self-financed/state-subsided/loan
Elevator and decompression bed construction project	123,730,000.00	10.57	Under construction				Self-financed
Project 6	201,000,000.00	96.83	Under construction				State-subsided/self-financed
Project 3	278,630,000.00	91.91	Under construction	24,729,118.48			Self-financed/loans
Project 4	280,260,000.00	100.00	Under construction				State-subsided/self-financed
Assets allocation at Longxue Building	0.00	100.00	Completed				Self-financed
Shipbuilding platform	666,670,000.00	100.00	Completed				State-subsided/self-financed
Total	6,571,120,000.00	-		153,448,543.72	8,306,043.47	-	

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17. Disposal of fixed assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	2,541,226.74	
Machinery and equipment	31,132.31	
Total	2,572,359.05	

18. Intangible assets

(1) Breakdown of 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 for the year	40,501.67		2,211,008.96		2,251,510.63
(1) Additions	40,501.67		2,211,008.96		2,251,510.63
3. Decrease for the year					
4. Ending balance	2,063,527,431.28	145,232,000.00	168,741,941.55	2,423,934.00	2,379,925,306.83
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 for the year	34,896,155.71	2,904,639.96	20,703,717.85	6,467.52	58,510,981.04
(1) Provision made	34,896,155.71	2,904,639.96	20,703,717.85	6,467.52	58,510,981.04
3. Decrease for the year					
4. Ending balance	211,931,139.12	22,510,959.69	145,063,606.46	26,409.04	379,532,114.31
III. Provision for impairment					
1. Beginning balance					
2. Increase for the year					
3. Decrease for the year					
4. Ending balance					
IV. Carrying amount					
1. Ending carrying amount	1,851,596,292.16	122,721,040.31	23,678,335.09	2,397,524.96	2,000,393,192.52
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 year.

Land use rights analyzed by region and term:

Item	Ending balance	Beginning balance
Within China		
Medium term (10-50 years)	1,851,596,292.16	1,886,451,946.20
Total	1,851,596,292.16	1,886,451,946.20

The depreciation and amortisation of intangible assets recognised in profit or loss during the year is RMB58,510,981.04 (Last year: RMB60,598,487.73).

(2) Land use rights without real estate certificates: None.

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19. Development expenditure

Item	Beginning balance	Increase for the year Internal research and development expenses	Decrease for the year Transfer to profit or loss for the current period	Ending balance
Research and development of key technologies for meter deepwater drillships		224,037,949.14	224,037,949.14	
Research and development of containerships		57,674,422.36	57,674,422.36	
Research and development and industrial application of offshore oil spill recovery ships		37,512,087.81	37,512,087.81	
Research and development of 1483C006_MMC887MPSV model ships		27,088,490.82	27,088,490.82	
Research and development of 1583C006_13000 ton multi-purpose heavy lift ships		23,920,855.25	23,920,855.25	
Development of double-fuel high-speed luxury Ro/Ro ships		20,461,753.95	20,461,753.95	
Research and development of key technologies for designing and building large bituminous ships		17,670,997.02	17,670,997.02	
Research and development of semi-submerged engineering ships		17,109,173.04	17,109,173.04	
Research of key technologies for polar deck ships		16,837,701.60	16,837,701.60	
Smart ship demonstration project		16,349,247.19	16,349,247.19	
Research and development of ship projects		15,268,452.09	15,268,452.09	
Software testing and implementation		11,521,432.32	11,521,432.32	
Research and manufacture of drilling wave compensation device		11,304,888.89	11,304,888.89	
Research and development and industrial application of design and building technology for 300,000 ton super deepwater floating production, storage and offloading (FPSO) domestic module units		10,145,504.70	10,145,504.70	
Research and development of green environment-friendly ships		8,402,968.47	8,402,968.47	
Research and development of key technologies for large ships		8,262,107.22	8,262,107.22	
Research and development of key technologies for jack-up drilling platforms		7,635,730.40	7,635,730.40	
Research of key technologies for saturation diving supporting ships		7,583,154.12	7,583,154.12	
Research and development of manufacturing process and fitting for advanced ships		7,111,330.92	7,111,330.92	
Research of comprehensive ship building process and technology		6,191,621.24	6,191,621.24	
Research of shipbuilding process		5,659,058.24	5,659,058.24	
Hospital administration and office management platform based on SaaS model		4,996,690.33	4,996,690.33	
Research and development of design and building technology for large trenching ships		4,974,937.44	4,974,937.44	
Cooperative research of high strength steel and efficient welding technology		4,673,442.17	4,673,442.17	
Research and development of manufacturing process and fitting for marine engineering equipment		4,628,825.29	4,628,825.29	
Research of design and technology of Haibei ro-ro passenger ships		3,793,847.53	3,793,847.53	
Model project for deepwater surveying ships		3,622,109.61	3,622,109.61	
Research and development of key technologies for medium and large fast ships		3,561,256.58	3,561,256.58	
Research of key technologies for large-tonnage heavy ocean pipe-laying and lifting ships		3,017,047.61	3,017,047.61	
Other miscellaneous projects		65,709,868.81	65,709,868.81	
Total		656,726,952.16	656,726,952.16	

During the period, development expense of RMB440,321,697.27 was transferred to administrative expense, and development expense of RMB216,405,254.89 was transferred to operating cost.

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

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20. Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortization for the year	Other decreases for the year	Ending balance
Improvement in leased fixed assets	12,272,481.50	2,220,101.09	7,853,266.54		6,639,316.05
Reconstruction cost of plant	6,173,138.07	-	1,073,589.21	-	5,099,548.86
Dining hall complex modification	1,807,808.51		986,077.35		821,731.16
Renovation of ventilation and air-conditioning system of technical center building	368,148.34		192,077.40		176,070.94
Drawing review and certification fees	90,000.00	-	30,000.00	-	60,000.00
1025 import technology design fee	-	6,108,185.44	1,855,145.97	-	4,253,039.47
Total	20,711,576.42	8,328,286.53	11,990,156.47	-	17,049,706.48

21. 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	292,556,519.38	53,979,123.80	253,271,316.45	45,185,901.48
Deductible tax loss	1,309,505,173.60	327,376,293.40	1,316,973,433.50	329,243,358.37
Prepaid housing subsidy	65,378.00	16,344.50	223,301.96	55,825.49
Payroll for retiring employees	224,784,594.88	50,476,528.31	235,854,089.05	52,457,039.28
Accrued liabilities	367,443,149.13	70,103,177.26	269,447,169.54	48,821,358.68
Change in fair value of financial liabilities at fair value through profit or loss			6,743,350.55	1,011,502.58
Timing differences for long-term deferred expenses	3,062,731.51	765,682.88	2,357,602.61	589,400.64
Total	2,197,417,546.50	502,717,150.15	2,084,870,263.66	477,364,386.52

(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	1,996,376.74	499,094.19	2,362,365.58	590,591.40
Change in fair value of financial assets at fair value through profit or loss			11,466,263.56	1,719,939.53
Total	1,996,376.74	499,094.19	13,828,629.14	2,310,530.93

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(3) Breakdown of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	316,067,311.87	1,315,548,330.23
Deductible tax loss	3,118,302,527.54	1,934,669,448.60
Total	3,434,369,839.41	3,250,217,778.83

Note: Based on the profit forecast for the next 5 years, the Company recognised deferred tax assets of RMB20,000,000.00 in respect of part of uncovered losses for previous years, and did not recognise deferred tax assets for the remaining uncovered losses and deductible temporary difference; based on the profit forecast for the next 5 years, Guangzhou Shipyard International Company Limited, a subsidiary of the Company, recognised deferred tax assets of RMB244,582,433.18 in respect of part of uncovered losses for previous years, and did not recognise deferred tax assets for the remaining uncovered losses and deductible temporary difference; based on the profit forecast for the next 5 years, Guangzhou Wenchong Shipyard Co., Ltd., a subsidiary of the Company, recognised deferred tax assets of RMB62,785,388.62 in respect of part of uncovered losses for previous years, and recognised deferred tax assets of RMB102,080,964.38 for the remaining uncovered losses and deductible temporary difference; for Zhongshan GSI Marine Engineering Company Limited, Guangchuan Large-scale Machinery and Equipment Company Co., Ltd., Guangzhou Shipyard International Marine Engineering Co., Ltd., Guangzhou Xingshun Marine Services Co., Ltd., Guangzhou Longxue Pipe Co., Ltd. and Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd., due to the uncertainty as to whether the taxable income can be obtained in the future, the deferred tax asset is not recognised for deductible temporary difference and deductible loss.

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

Year	Ending balance	Beginning balance	Remarks
2016			
2017	76,650,852.60	83,410,331.25	
2018	56,767,728.13	56,767,728.13	
2019	908,961,528.49	921,902,028.71	
2020	904,676,563.39	872,589,360.51	
2021	1,171,245,854.93		
Total	3,118,302,527.54	1,934,669,448.60	

22. Other non-current assets

Item	Ending balance	Beginning balance
Long-term entrusted wealth management products	1,001,000,000.00	300,000,000.00
Infrastructure project input tax to be deducted	361,563.30	
Total	1,001,361,563.30	300,000,000.00

Note: The breakdown of long-term entrusted wealth management products is as follows:

Client	Trustee	Amount	Date of commencement	Date of ending
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	200,000,000.00	2016-6-17	2018-6-17
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	200,000,000.00	2016-9-26	2018-9-26
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	100,000,000.00	2016-11-8	2018-11-8
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	300,000,000.00	2014-12-29	2017-6-21
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	200,000,000.00	2016-6-17	2018-6-17
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	301,000,000.00	2016-7-7	2018-6-25
	Total	1,301,000,000.00		
	Including: Non-current assets due within one year	300,000,000.00		
	Other non-current assets	1,001,000,000.00		

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23. Short-term borrowings

(1) Breakdown of short-term borrowings

Type	Ending balance	Beginning balance
Secured borrowings		3,740,518,000.00
Guaranteed borrowings	96,000,000.00	
Credit loans	349,636,500.54	3,006,153,403.20
Total	445,636,500.54	6,746,671,403.20

Guaranteee:

As at the end of the year, short-term borrowing of RMB96,000,000.00 of Guangzhou Wenchong Shipyard Co., Ltd., a subsidiary of the Company, was guaranteed by Huangpu Wenchong, a subsidiary of the Company.

(2) Outstanding overdue short-term borrowings: None

24. 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		177,459,147.05
Short USD call options		3,782,770.65
Total		181,241,917.70

25. Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance notes	1,459,936,362.47	1,987,065,708.98
Commercial acceptance notes	456,133,162.59	377,929,605.55
Total	1,916,069,525.06	2,364,995,314.53

Total notes payable due and unpaid as at the end of the year amounted to RMB3,528,569.00.

The ageing of these notes payable of the Group were all less than 180 days.

26. Accounts payable

(1) Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	5,699,473,766.19	5,294,699,709.50
Payment for projects under construction	367,141,331.15	317,751,893.10
Balance of product payment	450,339,867.73	489,885,334.50
Retention money	356,243,447.31	279,016,442.68
Other projects and labour services	390,437,764.58	354,033,992.47
Total	7,263,636,176.96	6,735,387,372.25

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(2) **The ageing analysis of accounts payable as at the transaction date (including accounts payable to connected persons) is as follows:**

Ageing	Ending balance	Beginning balance
Within one year	6,412,627,506.32	6,294,237,944.36
1-2 years	564,707,692.41	228,221,851.45
2-3 years	124,352,471.96	138,489,337.36
Over three years	161,948,506.27	74,438,239.08
Total	7,263,636,176.96	6,735,387,372.25

(3) **Significant accounts payable aged over one year**

Name	Ending balance	Including: Over 1 year	Reason for unsettlement or carrying forward
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	84,818,252.64	72,707,559.65	Payment for construction in progress
CSSC System Engineering Research Institute	341,167,500.00	62,803,400.00	Provisional estimates for finished products
Technology Department of a certain division of the People's Liberation Army	81,700,700.00	47,138,400.00	Undue
Nanjing Panda Handa Technology Co., Ltd.	57,295,000.00	35,895,000.00	Retention money
China Shipbuilding Industry Corporation B Research Institute	198,912,650.00	31,380,050.00	Retention money
Aviation Technology Research Institute of China Aerospace Science and Industry	95,310,000.00	25,560,000.00	Equipment warranty and provisional estimates
Havyard Global Solutions AS	24,262,779.64	24,262,779.64	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation C Research Institute	18,400,000.00	18,400,000.00	Retention money
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,472,294.28	18,472,294.28	Undue
Dalian Marine Diesel Engine Co., Ltd.	14,800,000.00	14,593,373.00	Retention money
Sandvik Mining and Construction Material Handling GmbH & Co KG	14,696,597.92	13,757,219.01	Undue
China Offshore Environmental Service (Tianjin) Co., Ltd.	13,385,154.00	13,385,154.00	Equipment warranty and provisional estimates
CSSC Marine Power Co. Ltd.	29,780,970.00	9,795,223.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	538,648,153.42	9,562,383.75	Undue
Wuhan Marine Machinery Co., Ltd.	13,231,500.00	8,417,500.00	Undue
Anqing CSSC Diesel Engine Co., Ltd.	24,216,000.00	7,188,000.00	Retention money
Eastern Shanghai Heavy Machinery Co., Ltd.	24,789,500.00	5,994,500.00	Retention money
CSSC Hua Hai Ships Equipment Co., Ltd.	4,596,500.00	4,596,500.00	Undue
Shaanxi Diesel Engine Co., Ltd.	4,295,999.98	4,295,999.98	Undue
Hongye Construction Engineering Co., Ltd.	6,474,016.13	4,156,685.26	Undue
China Shipbuilding Industry Corporation D Research Institute	37,487,000.00	3,333,000.00	Retention money
China Shipbuilding Industry Corporation E Research Institute	3,230,000.00	2,888,000.00	Retention money
Shanghai Haixun Electrical Engineering Co., Ltd.	20,405,375.35	2,813,607.75	Retention money
Guangzhou Shun Hai Lifesaving Equipment Co.	2,700,000.00	2,700,000.00	Retention money
China Electronic Technology Group Corporation A Research Institute	2,520,000.00	2,520,000.00	Undue
Huizhou Software (Shanghai) Co., Ltd.	2,450,082.60	2,450,082.60	Retention money
Total	1,678,046,025.96	449,066,711.92	-

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27. Advances from customers

(1) Advances from customers

Item	Ending balance	Beginning balance
Steel structure engineering	108,501,241.85	102,160,637.38
Advance from customers for ship maintenance	267,948,430.76	296,295,905.20
Other products	219,745,529.73	229,061,626.47
Total	596,195,202.34	627,518,169.05

(2) Significant advances from customers aged over one year

Name	Ending balance	Reason for unsettlement or carrying forward
Entity 1	74,595,811.99	Project unsettled
Entity 2	65,423,176.60	Project unsettled
Entity 3	24,960,000.00	Project unsettled
Entity 4	21,524,308.16	Project unsettled
Entity 5	10,312,417.37	Project unsettled
Total	196,815,714.12	–

28. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term employee benefits	32,495,025.06	4,757,104,130.75	4,730,245,211.27	59,353,944.54
Post-employment benefits – defined contribution plans		268,723,833.22	268,723,634.45	198.77
Termination benefits		1,778,123.53	1,778,123.53	
Other benefits due within one year	3,343,805.08	0.00	3,343,805.08	
Total	35,838,830.14	5,027,606,087.5	5,004,090,774.33	59,354,143.31

(2) Short-term employee benefits

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Wages or salaries, bonuses, allowances and subsidies	1,506,771.34	1,850,712,738.46	1,821,558,732.55	30,660,777.25
Staff welfare	5,072,421.30	97,144,636.69	97,144,636.69	5,072,421.30
Social insurance		154,139,736.75	154,134,657.96	5,078.79
Including: Medical insurance		126,590,233.08	126,586,535.05	3,698.03
Work-related injury insurance		5,428,542.20	5,427,516.12	1,026.08
Maternity insurance		13,790,478.60	13,790,123.92	354.68
Supplemental medical insurance		8,330,482.87	8,330,482.87	
Housing funds	329,858.00	205,745,978.64	205,761,308.64	314,528.00
Union & education funds	24,766,158.84	29,512,665.94	32,022,009.39	22,256,815.39
Outsourcing labour costs and others	819,815.58	2,419,848,374.27	2,419,623,866.04	1,044,323.81
Total	32,495,025.06	4,757,104,130.75	4,730,245,211.27	59,353,944.54

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(3) Defined contribution plans

As required, the Group participates in the social insurance plans established by the government authorities. The Group makes contributions to these plans as required by local governments. The Group has no further payment obligations other than the contributions. The relevant expenses are included in current profit or loss or as the cost of the relevant assets.

The pension, annuity and unemployment plan contributions made by the Group during the year were as follows:

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		231,492,519.06	231,492,519.06	
Unemployment insurance		11,150,723.98	11,150,525.21	198.77
Enterprise annuity		26,080,590.18	26,080,590.18	
Total		268,723,833.22	268,723,634.45	198.77

The defined benefit plan contributions payable by the Group for the year amounted to RMB268,723,833.22 (2015: RMB247,566,358.82). As at 31 December 2016, contribution payable amounting to RMB198.77 (31 December 2015: RMB0) was due and outstanding during the reporting period, which had been paid subsequent to the end of the reporting period.

29. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	26,102,175.44	-1,233,012,725.95
Business tax		1,509,477.42
Enterprise income tax	52,849,542.00	68,236,904.48
Individual Income Tax	21,903,075.93	26,476,870.55
City maintenance and construction tax	1,977,446.62	2,463,456.21
Property tax	20,470,639.55	4,338,075.65
Land use tax	2,030,500.01	1,675,868.05
Educational surcharges	1,407,903.98	1,754,425.39
Others	369,814.23	3,813,873.86
Total	127,111,097.76	-1,122,743,774.34

Note 1: As at the end of 2016, the Group reclassified the debit balance of "Input tax" and "Unpaid value-added tax" under "Taxes payable" into "Other current assets" or "Other non-current assets" and reclassified the credit balance of "Sales tax to be transferred" under "Taxes payable" into "Other current liabilities" in accordance with the Notice of the Ministry of Finance on the Provisions Concerning the Accounting Treatments on Value-Added Tax (Cai Kuai [2016] No. 22).

Note 2: As at the end of 2016, included in the enterprise income tax under taxes payable was Hong Kong profits tax and Macau income tax of RMB7,361,489.65.

30. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings of which the interest is paid in installments and the principal is repaid when due	10,771,532.39	12,452,683.55
Interest payable on short-term borrowings	337,894.44	9,080,890.16
Total	11,109,426.83	21,533,573.71

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31. Dividends payable

Item	Ending balance	Beginning balance
Dividends payable for A shares	341,776.11	63,634.72
Dividends payable for H shares	156,228.43	110,711.24
Dividend payable by subsidiaries to minority interests	3,308,000.00	780,000.00
Dividend for Huangpu Wenchong before completion of transfer		255,149,425.21
Total	3,806,004.54	256,103,771.17

32. Other payables

(1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	188,069,039.46	134,388,118.92
Payable for temporary receipts	170,121,396.60	110,806,051.09
Total	358,190,436.06	245,194,170.01

(2) Significant other payables aged over 1 year

Name	Ending balance	Reason for unsettlement or carrying forward
China Rescue and Salvage of Ministry of Transport of the PRC	33,106,509.07	Advances
Nansha Customs of the People's Republic of China	22,428,997.87	Collection and payment – refund of deposit
Shanghai Construction Group Co., Ltd.	8,136,230.10	Performance bond
Guangdong Jianbang Xingye Group Co., Ltd.	4,390,306.60	Performance bond
Shenzhen Yazhi Steel Structure Engineering Co., Ltd.	3,512,201.91	Performance bond
Jiujiang Hangli Marine Engineering Co., Ltd.	3,099,000.00	Security deposit for service fees
Hengli Shiji Industrial Park, Nansha District, Guangzhou	500,000.00	Outstanding rental deposit
Total	75,173,245.55	–

33. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due with one year	5,675,200,000.00	1,777,500,000.00
Total	5,675,200,000.00	1,777,500,000.00

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34. Other current liabilities

(1) Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Long-term project settlement	8,762,598,108.54	12,071,881,483.19
Shipbuilding products	8,762,598,108.54	12,071,881,483.19
Deferred income	6,229,847.48	18,302,757.69
Government grants	6,229,847.48	18,302,757.69
Sales tax to be transferred	45,404,539.26	
Total	8,814,232,495.28	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	16,721,771,074.81
Less: Accumulated cost incurred	8,061,281,808.67
Accumulated gross profit recognised	-102,108,842.40
Projects that are settled but not yet completed under construction contract	<u>8,762,598,108.54</u>

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(3) 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/ Relating to revenue
Enterprise technology centre innovation capability development project	300,000.00		300,000.00	300,000.00	300,000.00	Related to assets
150 tons self-propelled hydraulic flatbed trailer	166,666.68		166,666.68	166,666.68	166,666.68	Related to assets
Coating technology process and transformation	153,698.64		153,698.64	153,698.64	153,698.64	Related to assets
Technical upgrading for new ship research equipment	142,191.84		142,191.84	142,191.84	142,191.84	Related to assets
Transferring capabilities of regional value integration and upgrading technologies	30,708.35		20,910.21		9,798.14	Related to assets
No. 1 Dock adaptive transformation (1)	33,333.36		33,333.36	33,333.36	33,333.36	Related to assets
No. 1 Dock adaptive transformation	26,666.64		26,666.32	26,666.32	26,666.64	Related to assets
Noise control engineering for painting workshop	15,789.48		15,789.48	15,789.48	15,789.48	Related to assets
Metering scientific instruments for the Group	9,999.96		9,999.96	9,999.96	9,999.96	Related to assets
Noise control engineering for new area	9,519.96		9,519.96	9,519.96	9,519.96	Related to assets
Base construction subsidy	62,182.78		62,182.78	62,182.78	62,182.78	Related to assets
Offshore platform project	300,000.00		300,000.00	300,000.00	300,000.00	Related to assets
Offshore expansion projects	3,500,000.00		3,500,000.00	3,500,000.00	3,500,000.00	Related to assets
Offshore engineering phase I	1,500,000.00		1,500,000.00	1,500,000.00	1,500,000.00	Related to assets
Design of deepwater drillships	6,000,000.00		5,000,000.00	-1,000,000.00		Related to revenue
Research and development of diving support ships	2,500,000.00		2,500,000.00			Related to revenue
Demonstration unit of intellectual property right in Guangzhou	110,000.00		110,000.00			Related to revenue
Ship design and manufacturing integration	200,000.00			-200,000.00		Related to revenue
System equipment manufacturing	96,000.00			-96,000.00		Related to revenue
Drilling wave compensation device	961,050.00			-961,050.00		Related to revenue
Research and development of key technologies for large equipment	68,950.00			-68,950.00		Related to revenue
Key technologies for polar multi-purpose ships	1,680,000.00			-1,680,000.00		Related to revenue
Ship follow-up green cooling system	336,000.00			-336,000.00		Related to revenue
Construction of technical center	100,000.00			-100,000.00		Related to revenue
Total	18,302,757.69		13,850,959.23	1,778,049.02	6,229,847.48	

Note: "Other changes" represent government grants carried forward within one year of reclassification from deferred income items.

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35. Long-term borrowings

Type	Ending balance	Beginning balance
Guaranteed borrowings	2,108,000,000.00	2,289,067,600.00
Credit loans	11,905,757,000.00	6,179,000,000.00
Total	14,013,757,000.00	8,468,067,600.00
The carrying amount of the above borrowings shall be repaid:		
Within 1 year	5,675,200,000.00	1,777,500,000.00
Over one year but less than two years after balance sheet date	3,345,700,000.00	4,060,567,600.00
Over two years but less than five years after balance sheet date	2,748,000,000.00	2,130,000,000.00
Over five years after balance sheet date	2,244,857,000.00	500,000,000.00
Less: Amount due within 1 year, as shown under current liabilities	5,675,200,000.00	1,777,500,000.00
Amount shown under non-current liabilities	8,338,557,000.00	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 year, long-term borrowing of RMB500,000,000.00 was guaranteed by the Company for GSI, a subsidiary of the Company;

As at the end of the year, long-term borrowing of RMB500,000,000.00 was guaranteed by Guangzhou Wenchong Shipyard Co. Ltd. for CSSC Huangpu Wenchong Shipbuilding Company Limited;

As at the end of the year, long-term borrowing of RMB1,108,000,000.00 was guaranteed by CSSC Huangpu Wenchong Shipbuilding Company Limited for Guangzhou Wenchong Shipyard Co., Ltd..

Details of interest rate: As at the end of the year, weighted average annual interest rate of long-term borrowings was 2.79%.

36. Long-term employee benefits payable

(1) Breakdown of long-term employee benefits payable

Item	Ending balance	Beginning balance
Post-employment benefits – net liabilities for defined benefit plans note	214,851,674.88	225,775,354.01
Monetary housing allowance for retired employees	53,196,900.26	49,101,266.74
Housing assistance for employees	10,646,323.28	10,193,308.20
Medical insurance for retirees	703,150.85	1,660,229.85
Total	279,398,049.27	286,730,158.80

Note: The defined benefit plans of the Group represent the 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 Huangpu Wenchong and Wenchong Shipyard, subsidiaries of the Company, 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).

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(2) Changes in defined benefit plans – present value of obligations under defined benefit plans

Item	Current year	Last year
Opening balance	225,775,354.01	217,505,354.01
Cost of defined benefits included in profit or loss	7,895,960.19	7,834,747.08
1. Service cost for current period		
2. Service cost for previous period		
3. Gains on settlement (Loss expressed with "-")		
4. Net interest	7,895,960.19	7,834,747.08
Cost of defined benefits included in other comprehensive income		18,070,000.00
1. Gains on settlement (Loss expressed with "-")		18,070,000.00
Other changes	-18,819,639.32	-17,634,747.08
1. Liabilities eliminated upon settlement		
2. Benefits paid	-18,819,639.32	-17,634,747.08
Ending balance	214,851,674.88	225,775,354.01

(3) Changes in defined benefit plans – Net liabilities (net assets) under defined benefit plans

Item	Current year	Last year
Opening balance	225,775,354.01	217,505,354.01
Cost of defined benefits included in profit or loss	7,895,960.19	7,834,747.08
Cost of defined benefits included in other comprehensive income		18,070,000.00
Other changes	-18,819,639.32	-17,634,747.08
Ending balance	214,851,674.88	225,775,354.01

37. Special payables

Project	Beginning balance	Increase for the year	Decrease for the year	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	56,000,000.00		267,000,000.00
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		271,400,000.00		271,400,000.00
Project M		78,100,000.00		78,100,000.00
Total	984,839,744.58	405,500,000.00		1,390,339,744.58

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

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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 or its subsidiaries made by the CSSC Group.

38. Accrued liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	338,479,564.46	413,314,585.74	Warranty cost of ships and electromechanical products Note
Loss-making construction contracts	106,547,250.57	29,789,528.16	
Others	65,910,344.68		
Total	510,937,159.71	443,104,113.90	

Note: Please refer to Note VI.9(2) for details of loss-making construction contracts.

39. Deferred income

(1) Breakdown of deferred income

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Government grants	260,320,055.21	68,604,150.00	261,409,876.70	67,514,328.51
Total	260,320,055.21	68,604,150.00	261,409,876.70	67,514,328.51

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(2) Government grant items

Government grant items	Beginning balance	New grants received during the year	Amount included in non-operating income during the year	Other decreases	Ending balance	Relating to assets/ Relating to revenue
Construction of protection conditions ^{note}	200,000,000.00			200,000,000.00		
09E01-3	1,400,000.00				1,400,000.00	Related to revenue
Base construction subsidy	1,685,483.36			62,182.78	1,623,300.58	Related to assets
Research of comprehensive ship building process and technology		5,000,000.00	5,000,000.00			Related to revenue
Development of double-fuel high-speed luxury Ro/Ro ships		7,600,000.00	7,600,000.00			Related to revenue
Research of key technologies for polar deck ships		4,950,000.00	4,950,000.00			Related to revenue
Research of maritime engineering welding technology		660,000.00	660,000.00			Related to revenue
Research and development and industrial application of FPSO upgrading technology	918,666.37		918,666.37			Related to revenue
Research of comprehensive building process and technology	7,552,250.19	2,000,000.00	3,189,746.59		6,362,503.60	Related to revenue
Research and development of engineering ships	4,927,333.64	1,900,000.00	6,827,333.64			Related to revenue
Development and industrialization of intelligent manufacturing integrated platform for marine products		1,400,000.00	1,012,545.13		387,454.87	Related to revenue
Offshore expansion projects	14,000,000.00			3,500,000.00	10,500,000.00	Related to assets
Offshore platform project	2,100,000.00			300,000.00	1,800,000.00	Related to assets
Offshore engineering phase I	6,000,000.00			1,500,000.00	4,500,000.00	Related to assets
Separation and transfer of water, power and gas supply and property management business		11,580,000.00			11,580,000.00	Related to assets
Research and development and industrial application of design and building technology for deepwater drillships	6,000,000.00			-1,000,000.00	7,000,000.00	Related to revenue
Research of shipbuilding process		6,000,000.00	3,000,000.00		3,000,000.00	Related to revenue
Research and development of diving support ships		2,400,000.00	500,000.00		1,900,000.00	Related to revenue
Construction of provincial research and development centre for marine operation ships and platform engineering		1,000,000.00	500,000.00		500,000.00	Related to revenue
Research fee of assembly and building process for domestic ancillary facilities		2,000,000.00	2,000,000.00			Related to revenue
Research and development of key ship technologies		1,700,000.00	1,700,000.00			Related to revenue
Research and manufacture of drilling wave compensation device	9,288,950.00		1,850,000.00	-961,050.00	8,400,000.00	Related to revenue
Research of key technologies for polar multi-purpose ships			1,080,000.00	-1,680,000.00	600,000.00	Related to revenue
Research and development of power balance control system for large refrigerated container ships		550,000.00	220,000.00		330,000.00	Related to revenue
Technical research and system development of key technologies for green cargo control for large bituminous ships		840,000.00	252,000.00		588,000.00	Related to revenue
Others	6,447,371.65	19,024,150.00	18,371,535.95	56,916.24	7,043,069.46	
Total	260,320,055.21	68,604,150.00	59,631,827.68	201,778,049.02	67,514,328.51	

Note: Protection construction decreased by RMB200,000,000.00 during the year due to the reclassification into special payables. Other item decreased by RMB1,778,049.02, because government grant expected to be recognised as profit within one year was transferred to "Other current liabilities".

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40. 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 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	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 Including: Shares held by overseas legal persons	345,940,890.00	24.47						345,940,890.00	24.47
	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

Note: During the year, the lock-up period for 68,313,338 Shares held by Yangzhou Kejin Shipyard Co., Ltd. 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 Including: Shares held by overseas legal persons	345,940,890.00	33.57						345,940,890.00	24.47
	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

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

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41. Capital reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share capital premium	6,783,877,295.10			6,783,877,295.10
Other capital reserves	65,447,048.32	281,057.42		65,728,105.74
Capital reserves transferred in from the original system	18,260,878.79			18,260,878.79
Total	6,867,585,222.21	281,057.42		6,867,866,279.63

Note: In 2016, in accordance with the PRC Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments, other capital increased by RMB281,057.42 as a result of change in equity other than comprehensive income of Zhenjiang CSSC Equipment Modern Co., Ltd., an associate of the Company, for 2016.

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	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

Note: 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 Shipyard Co., Ltd. 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.

42. Other comprehensive income

Current year:

Item	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	-365,988.84		-91,497.21	-274,491.63	1,497,282.55
Total other comprehensive income	-60,166,725.82	-365,988.84		-91,497.21	-274,491.63	-60,441,217.45

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Last year

Item	Beginning balance	Amount for the year before income tax	Current period			Ending balance
			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	-14,478,500.00	-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	-403,389.67	1,771,774.18
Total other comprehensive income	-45,284,836.15	-18,266,650.72		-3,384,761.05	-14,881,889.67	-60,166,725.82

43. Special reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee		48,902,952.75	47,973,721.15	929,231.60
Total		48,902,952.75	47,973,721.15	929,231.60

Including: Special reserve falling under equity attributable to owners of the Company amounted to RMB929,231.60 (Last year: RMB0).

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	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	

44. Surplus reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	923,846,651.25	8,517,320.24		932,363,971.49
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	943,767,421.48	8,517,320.24		952,284,741.72

Note: The increase in the year represents the statutory surplus reserve made by the Company at 10% of net profit of the parent company.

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	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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45. Undistributed profit

Item	Current year	Last year
Ending balance of the last year	1,153,355,946.59	1,310,184,662.42
Add: Beginning adjustment to undistributed profits		
Beginning balance of the year	1,153,355,946.59	1,310,184,662.42
Add: Net profit attributable to owners of the Company for the year	71,224,250.43	98,320,709.38
Less: Statutory surplus reserve set aside	8,517,320.24	
Discretionary surplus reserve set aside		
General risk provision made		
Dividends on ordinary shares payable	42,405,191.34	255,149,425.21
Ending balance of the year	1,173,657,685.44	1,153,355,946.59

46. Minority interest

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Guangzhou Hongfan Technology Co., Ltd.	49.00	16,775,176.25	15,029,073.90
Guangzhou Longxue Pipe Co., Ltd.	57.14	29,281,451.89	28,939,930.79
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	40.00	1,224,021.08	1,219,934.22
Fanguang Development Co., Ltd.	20.00	12,937,179.26	2,683,007.29
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	19.50	542,285.71	516,911.15
Guangzhou Xinhang Human Resources Service Co., Ltd.	25.00	913,456.34	911,005.78
Guangzhou Longxue Properties Co., Ltd.	33.33	62,974.89	58,078.92
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	25.00	1,259,800.33	1,250,928.98
Total	-	62,996,345.75	50,608,871.03

47. Net current assets

Item	Ending balance	Beginning balance
Current assets	30,577,491,173.76	34,398,772,436.86
Less: Current liabilities	25,270,541,008.68	29,959,424,988.30
Net current assets	5,306,950,165.08	4,439,347,448.56

48. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	46,268,585,829.63	48,995,954,305.21
Less: Current liabilities	25,270,541,008.68	29,959,424,988.30
Total assets less current liabilities	20,998,044,820.95	19,036,529,316.91

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49. Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	445,636,500.54	6,746,671,403.20
Non-current liabilities due within one year	5,675,200,000.00	1,777,500,000.00
Long-term borrowings	8,338,557,000.00	6,690,567,600.00
Total	14,459,393,500.54	15,214,739,003.20

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowing		
– Bank borrowings repayable within 5 years	9,242,136,500.54	9,452,739,003.20
– Bank borrowings repayable after 5 years	1,744,857,000.00	
Other borrowings		
– Other borrowings repayable within 5 years	2,972,400,000.00	5,262,000,000.00
– Other borrowings repayable after 5 years	500,000,000.00	500,000,000.00
Total	14,459,393,500.54	15,214,739,003.20

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	6,120,836,500.54	8,524,171,403.20
One to two years	3,345,700,000.00	4,060,567,600.00
2-5 years	2,748,000,000.00	2,130,000,000.00
Over 5 years	2,244,857,000.00	500,000,000.00
Total	14,459,393,500.54	15,214,739,003.20

50. Operating income & Operating costs

Item	Current year	Last year
Revenue from principal business	23,077,218,771.82	25,244,868,269.93
Revenue from other business	272,386,125.87	274,371,521.49
Total	23,349,604,897.69	25,519,239,791.42
Costs of principal business	21,496,215,754.88	24,615,050,816.56
Costs of other business	217,492,258.29	206,107,555.28
Total	21,713,708,013.17	24,821,158,371.84

Gross profit from principal business

Item	Current year	Last year
Revenue from principal business	23,077,218,771.82	25,244,868,269.93
Costs of principal business	21,496,215,754.88	24,615,050,816.56
Gross profit	1,581,003,016.94	629,817,453.37

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Revenue from construction contracts

Item	Current year	Last year
Revenue from construction contracts	21,466,878,717.33	23,455,556,253.70

(1) Main operation – by product

Product name	Current year	Last year
Operating income		
Shipbuilding	18,754,775,750.13	17,866,531,888.29
Offshore engineering products	2,577,790,855.88	5,589,024,365.41
Ship maintenance	384,298,812.73	325,085,211.89
Steel structure engineering	900,321,575.21	877,728,423.35
Electromechanical products and others	460,031,777.87	586,498,380.99
Total	23,077,218,771.82	25,244,868,269.93
Operating costs		
Shipbuilding	17,849,283,111.95	18,094,692,293.09
Offshore engineering products	2,190,171,776.63	4,903,229,269.72
Ship maintenance	305,032,157.86	272,290,249.41
Steel structure engineering	803,930,677.36	826,665,071.09
Electromechanical products and others	347,798,031.08	518,173,933.25
Total	21,496,215,754.88	24,615,050,816.56

(2) Main operation – by region

Region	Current year	Last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	15,938,941,577.42	15,357,756,253.15
Other regions in Asia	1,670,867,043.34	1,366,451,925.85
Europe	4,691,379,889.36	6,383,139,684.49
Oceania	592,565,668.85	1,818,632,261.02
North America	15,518,639.24	252,583,712.91
Africa	167,945,953.61	60,232,770.37
South America		6,071,662.14
Total	23,077,218,771.82	25,244,868,269.93
Operating costs		
China (including Hong Kong, Macau and Taiwan)	14,710,069,491.33	14,001,201,497.44
Other regions in Asia	1,649,228,596.61	1,587,187,170.66
Europe	4,386,680,409.29	6,496,695,029.26
Oceania	573,690,921.80	2,152,893,717.68
North America	19,627,963.40	244,225,161.85
Africa	156,918,372.45	127,939,217.38
South America		4,909,022.29
Total	21,496,215,754.88	24,615,050,816.56

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(3) Other operating income and other operating cost

Product name	Current year	Last year
Revenue from other business		
Sale of materials	48,895,779.75	77,613,210.27
Sales of scrap materials	52,853,141.07	63,770,923.30
Service income	11,200,125.03	34,075,075.43
Rental income	91,384,340.83	33,478,977.37
Energy income	58,607,482.88	57,262,724.53
Others	9,445,256.31	8,170,610.59
Total	272,386,125.87	274,371,521.49
Costs of other business		
Sale of materials	45,858,963.14	54,678,676.20
Sales of scrap materials	39,661,044.40	44,587,808.28
Service income	8,659,367.59	26,525,386.96
Rental income	63,152,982.68	24,599,896.34
Energy income	59,021,041.24	50,864,923.04
Others	1,138,859.24	4,850,864.46
Total	217,492,258.29	206,107,555.28

(4) Contract revenue

Item	Total contract amount	Accumulated cost incurred	Accumulated gross profit recognised	Amount settled	Provision for decline in value of inventories as at the end of the year
Fixed price contracts					
Total contracts under construction	56,031,948,440.25	25,924,857,122.67	356,648,626.45	25,658,733,970.32	185,757,904.42
115,000 ton oil tanker	2,605,203,181.35	1,592,895,258.40	-145,733,617.68	743,833,646.16	8,144,751.14
250,000 ton ore sand tanker	3,474,421,449.40	2,035,694,000.90	-140,820,478.28	870,932,801.00	5,397,870.49
300,000 ton ore sand tanker	1,955,566,266.00	12,175,938.33	0.00	317,088,488.00	0.00
50,000 ton tanker	5,563,425,003.07	3,650,263,579.95	-271,492,509.34	2,276,915,496.47	22,246,056.98
Barge	35,897,435.91	3,888,575.13	0.00	0.00	0.00
Multi-purpose ships	734,939,490.51	317,536,481.21	3,643,191.29	281,043,831.01	37,400,710.56
Multi-purpose heavy lift ships	586,080,000.00	139,532,435.86	10,233,148.81	95,725,524.11	0.00
Non-ship building contract	42,993,418.80	54,823,958.10	-4,433,097.75	16,376,068.32	506,290.58
Engineering ships	759,050,551.33	222,555,294.26	13,591,595.27	174,550,758.00	0.00
Offshore engineering platform	3,491,662,600.27	1,751,543,159.04	74,802,528.92	356,838,046.29	3,924,672.81
Containerships	4,452,661,801.00	1,816,064,248.31	15,745,235.64	820,961,635.01	62,723,070.12
Survey ships	1,070,520,000.00	1,070,829,100.70	-8,673,431.81	749,364,000.00	0.00
Ro-ro passenger ships	2,407,020,168.46	902,692,008.86	109,081,406.48	1,168,226,350.43	0.00
Crane ships	340,849,576.84	340,462,540.52	-7,814,005.20	198,359,803.69	0.00
Bulk carriers	1,241,526,055.60	780,001,622.35	14,066,749.52	210,099,658.91	7,728,500.00
Special ships	25,379,750,967.67	10,961,360,930.71	677,226,702.03	16,943,787,996.19	37,685,981.74
Tugs	592,307,692.32	47,358,402.72	0.00	319,329,161.55	0.00
Dredgers	948,717,948.72	119,625.47	0.00	34,997,417.18	0.00
Asphalt ship	349,354,833.00	225,059,961.85	17,225,208.55	80,303,288.00	0.00

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.

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(5) Top five customers by operating income

Customers	Current year	Proportion (%)
Customer 1	6,917,945,850.48	29.98
Customer 2	1,618,724,704.53	7.01
Customer 3	1,077,456,296.26	4.67
Customer 4	818,661,535.58	3.55
Customer 5	768,405,561.25	3.33
Total	11,201,193,948.10	48.54

(6) Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount	Proportion (%)
Entity 1	Under common control of CSSC	3,122,995,597.83	14.53
Entity 2	Under common control of CSSC	786,708,080.34	3.66
Entity 3	Under common control of CSSC	608,548,444.44	2.83
Entity 4	Third party	440,508,760.68	2.05
Entity 5	Third party	331,225,641.03	1.54
Total		5,289,986,524.32	24.61

51. Taxes and surcharges

Item	Current year	Last year
Business tax	2,834,725.10	8,513,900.85
City maintenance and construction tax	14,815,934.20	10,233,807.39
Educational surcharges	10,592,545.93	7,310,706.83
Property tax note	19,684,694.34	
Land use tax note	12,787,302.69	
Stamp duty note	9,800,208.30	
Vehicle usage tax note	34,875.78	
Flood control fee note	29,194.28	
Total	70,579,480.62	26,058,415.07

Note: In accordance with the Notice on the Provisions Concerning the Accounting Treatments on Value-Added Tax issued by the Ministry of Finance on 3 December 2016 (Cai Kuai [2016] No. 22), the Group reported taxes relating to operating activities including property tax, vehicle usage tax and stamp duty tax which were reported in "administrative expenses" under "administrative expenses" for the period from January to April 2016 and under "taxes and surcharges" for the period from May to December 2016.

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52. Selling expenses

Item	Current year	Last year
Product quality warranty	79,494,091.37	169,583,854.59
Employee salaries	21,423,319.69	21,928,051.64
Transportation fees	2,573,501.29	2,332,784.25
Business expenditure	5,009,965.76	4,512,941.15
Advertisement fees	1,418,498.07	2,086,118.71
Exhibition fees	3,732,126.08	4,738,808.72
Depreciation	107,036.51	133,378.89
Packaging fees	21,575.73	59,031.84
Insurance premium	51,047.16	122,666.48
Other selling expenses	2,912,659.05	5,316,640.41
Total	116,743,820.71	210,814,276.68

53. Administrative expenses

Item	Current year	Last year
Research and development expenses	440,321,697.27	513,015,922.65
Employee salaries	404,069,488.42	353,905,861.18
Repairing expenses	232,403,080.59	197,612,670.86
Amortisation of intangible asset	53,191,234.60	56,564,652.39
Depreciation	49,077,476.08	51,473,982.90
Rentals	37,573,970.35	20,399,547.03
Security expense	32,073,439.01	26,351,873.14
Environmental protection fee	20,188,972.76	12,307,481.29
Taxation	13,739,534.05	60,028,074.33
Utilities expense	11,234,312.68	12,355,607.72
Travelling expense	10,941,531.77	8,748,255.30
Information management fees	10,068,109.45	10,060,136.99
Business entertainment expenses	7,220,333.54	7,757,318.20
Litigation fees	6,081,266.98	1,376,907.29
Office expenses	4,905,300.24	5,109,627.81
Insurance premium	4,850,986.75	3,051,667.61
Agency fee	4,687,121.84	4,192,628.96
Consulting fees	4,652,620.16	5,784,897.58
Board meeting fee	4,121,588.39	12,178,191.70
Warehouse fees	4,079,078.55	5,198,820.54
Logistics service fees	4,380,622.42	3,536,961.72
Others	35,698,253.07	82,241,985.63
Total	1,395,560,018.97	1,453,253,072.82

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54. Finance costs

(1) Breakdown of finance costs

Item	Current year	Last year
Interest expenses	457,366,076.46	517,502,401.83
Less: Interest income	350,493,138.33	400,748,287.94
Add: Exchange losses	-159,441,673.70	203,901,847.29
Add: Other expenses	34,622,187.90	15,833,889.83
Total	-17,946,547.67	336,489,851.01

(2) Breakdown of interest expenses

Item	Current year	Last year
Interest on bank loans and overdraft		
Interest on bank loans due within 5 years	410,881,399.54	319,555,280.83
Other borrowings		
Interest on other borrowings due within 5 years	49,097,562.78	203,853,240.18
Other interest expenses	6,123,292.57	
Subtotal	466,102,254.89	523,408,521.01
Less: Capitalized interest	8,736,178.43	5,906,119.18
Total	457,366,076.46	517,502,401.83

(3) Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	326,129,452.53	400,748,287.94
Interest income for receivables	24,363,685.80	
Total	350,493,138.33	400,748,287.94

55. Asset impairment losses

Item	Current year	Last year
Loss on bad debts	33,669,900.59	19,846,076.69
Loss on diminution in value of inventories	173,406,789.59	371,437,377.45
Loss on impairment of fixed assets	1,752,651.50	
Total	208,829,341.68	391,283,454.14

56. Gain/loss on change in fair value

Item	Current year	Last year
Financial assets at fair value through profit and loss	-13,063,411.11	34,643,440.26
Financial liabilities at fair value through profit and loss	181,241,917.70	-164,252,131.71
Total	168,178,506.59	-129,608,691.45

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57. Investment income

Item	Current year	Last year
Gain on long-term equity investments accounted for using equity method	1,779,996.01	1,279,915.09
Investment income from disposal of long-term equity investments	26,896,200.00	2,054,974,131.69
Investment income from disposal of financial assets at fair value through profit and loss	-153,955,707.44	-62,099,186.96
Investment income from holding entrusted wealth management products	75,873,758.87	39,097,148.39
Investment income from holding available-for-sale financial assets	1,034,272.27	1,056,117.37
Total	-48,371,480.29	2,034,308,125.58

The investment income from investment in listed companies and non-listed companies for the year amounted to RMB149,621.74 and RMB-48,521,102.03, respectively.

58. Non-operating income

(1) Breakdown of non-operating income

Item	Current year	Last year	Amount included in non-recurring gains and losses during the year
Gain on disposal of non-current assets	2,302,601.24	675,421.88	2,302,601.24
Including: Gain on disposal of fixed assets	2,302,601.24	675,421.88	2,302,601.24
Government grants	206,083,062.71	282,053,931.52	125,739,665.59
Penalty income	350,465.70	76,100.00	350,465.70
Compensation income	2,529,023.43	427,300.00	2,529,023.43
Others	4,905,259.77	6,563,626.93	4,905,259.77
Total	216,170,412.85	289,796,380.33	135,827,015.73

The amount included in non-recurring profit and loss for current period was RMB135,827,015.73 (last year: RMB204,461,794.92)

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(2) Breakdown of government grants

Item	Current year	Last year	Source and basis	Relating to assets /Relating to revenue
Research of shipbuilding process and technology	3,189,746.59	16,981,842.95	Government subsidies	Relating to revenue
Development of double-fuel high-speed luxury Ro/Ro ships	7,600,000.00		MIT	Related to revenue
Research of comprehensive ship building process and technology	5,000,000.00		Government subsidies	Related to revenue
Decoration design and building technology research for typical cabins of luxury cruises		6,600,000.00	MIT	Relating to revenue
Third batch of technological funding arrangement for 2015	4,925,125.00		Shui Ke Chuang Zi [2015] No. 6	Relating to revenue
Technological innovation special fund	4,925,125.00		Sui Ke Xin [2014] No. 2	Relating to revenue
Export credit insurance special funds for 2015	4,000,000.00		Liwan District Financial and Treasury Payment Centre in Guangzhou, Sui Cai Jing [2015] No. 354	Relating to revenue
Special funds for cultivation of provincial high-tech enterprises for 2015	3,311,700.00		Shui Ke Chuang Zi [2015] No. 186	Relating to revenue
Land use tax relief	1,627,468.66		Liwan District Local Taxation Bureau, Cai Shui Zi [1995] No. 27	Relating to revenue
Property tax relief	1,236,992.39		Liwan District Local Taxation Bureau, Circular (87) Yue Shui San Zi No. 023	Related to revenue
Revenue from product subsidies		85,334,585.41	Government subsidies	Related to revenue
Research of key technologies for polar deck ships	4,950,000.00	9,900,000.00	MIT	Related to revenue
Development and industrialization of intelligent manufacturing integrated platform for marine products	1,012,545.13		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
Special grants for key enterprises conducting industrial transformation and upgrading for 2016	1,000,000.00		Government subsidies	Relating to revenue
Offshore expansion projects	3,500,000.00	3,500,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao Ji Gai [2009] No. 666, Yue Jing Mao [2009] No. 870	Relating to assets
Offshore engineering phase I	1,500,000.00	1,500,000.00	Yue Cai Gong [2010] No. 445	Relating to assets
Offshore platform project	300,000.00	300,000.00	Sui Fa Gai [2013] No. 308	Relating to assets
Research and development of diving support ships	3,000,000.00	3,000,000.00	Gong Xin Bu Lian Zhuang [2014] No. 507	Relating to revenue
Research and development and industrial application of deep-sea large-output rescue ships		28,000,000.00	Chuan Gong Ke [2013] No. 913	Relating to revenue
Research and development of key technologies for meter deepwater drillships	5,000,000.00	14,400,000.00	Chuan Gong Ke [2013] No. 912	Relating to revenue
Subsidy for supplementing and improving maritime engineering equipment production facilities construction	5,000,000.00		Government subsidies	Relating to revenue
Research and manufacture of drilling wave compensation device	1,850,000.00	2,350,000.00	Chuan Gong Ke [2014] No. 22	Relating to revenue
Research and development of offshore field environment-friendly operation ships		13,720,000.00	Gong Xin Bu Lian Zhuang [2012] No. 537	Related to revenue
Research of key technologies for polar multi-purpose ships	1,080,000.00	720,000.00	Gong Xin Bu Lian Zhuang [2014] No. 507	Related to revenue
Research and development and industrial application of design and building technology for semi-submerged carriers		28,000,000.00	Government subsidies	Related to revenue
Dividends	25,993,771.00	21,764,871.33	Ministry of Finance	Related to revenue
Research of shipbuilding process	3,000,000.00		Government subsidies	Relating to revenue
Post subsidies from Huangpu District Government for research and development expenses in 2014	7,680,600.00	19,623,130.00	Government subsidies	Related to revenue
Research of assembly and building process for domestic ancillary facilities	2,000,000.00		Government subsidies	Related to revenue
Research and development and industrial application of design and building technology for FPSO domestic module units		5,600,000.00	National Development and Reform Commission	Relating to revenue
Research and development of semi-submerged engineering ships	6,827,333.64	6,172,666.36	National Development and Reform Commission	Relating to revenue
Job stabilization subsidy	7,162,708.41		Sui Ren She Fa (2016) No. 6	Relating to revenue
Steady industrial growth bonus	2,030,000.00		Government subsidies	Relating to revenue
Grant for insurance premium for first piece (set)	53,210,000.00		Government subsidies	Related to revenue

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Item	Current year	Last year	Source and basis	Relating to assets /Relating to revenue
Funding encouraging transformation and upgrading of industrial enterprises and production expansion for 2015	10,000,000.00		Sui Kai Guan Ban (2015) No. 35	Related to revenue
Special provincial financial subsidies for 2015	4,063,300.00		Shui Ke Chuang Zi (2016) No. 68	Related to revenue
Research and development of key ship technologies	1,700,000.00		Ke Gong Ji [2016] No. 637	Related to revenue
Post subsidy	2,681,200.00		Shui Ke Chuang Zi [2016] No. 203	Relating to revenue
Other projects	14,806,780.52	14,586,835.47		
Total	206,083,062.71	282,053,931.52		

(3) Others

Non-operating income of the Group for the year included profit from disposal of properties of RMB0 (amount for the last year: RMB0).

59. Non-operating expenses

Item	Current year	Last year	Amount included in non-recurring gains and losses during the year
Loss on disposal of non-current assets	10,722,317.94	3,910,944.82	10,722,317.94
Including: Loss on disposal of fixed assets	10,722,317.94	3,910,944.82	10,722,317.94
Fines	15,422.64	48,635.00	15,422.64
Compensation		37,860.00	
External donations	1,699,723.00	289,313.00	1,699,723.00
Others	66,235,936.48	679,593.85	66,235,936.48
Total	78,673,400.06	4,966,346.67	78,673,400.06

The amount included in non-recurring profit and loss for the year was RMB78,673,400.06 (Last year: RMB4,966,346.67)

60. Income tax expense

(1) Income tax expense

Item	Current year	Last year
Current income tax calculated in accordance with the tax law and relevant regulations	59,819,350.53	110,280,662.23
– PRC enterprise income tax	50,035,538.78	107,719,649.62
– Hong Kong profits tax	9,814,849.13	2,561,012.61
– Macau income tax	-31,037.38	
Deferred income tax expenses	-27,072,703.16	255,533,516.77
Total	32,746,647.37	365,814,179.00

(2) Reconciliation of accounting profit and income tax expenses

Item	Current year
Total consolidated profit for the year	119,434,809.30
Income tax expenses calculated at statutory/applicable tax rate	29,858,702.33
Impact of different tax rates for subsidiaries	-31,892,002.26
Impact of adjustment for income tax for previous period	-616,980.54
Impact of non-taxable income	-308,839.54
Impact of non-deductible costs, expenses and losses	913,846.52
Impact of utilisation of deductible loss for which no deferred tax assets are previously recognised	-1,369,481.58
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	37,016,847.44
Other (including the effect of deduction)	-855,445.00
Income tax expense	32,746,647.37

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61. Other comprehensive income

Please refer to Note VI.42 “Other comprehensive income” for details.

62. 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.

63. Depreciation and amortization

Item	Current period	Corresponding period of last year
Depreciation of investment properties	628,712.16	628,712.16
Disposal of fixed assets	661,376,968.72	662,525,304.29
Amortisation of intangible asset	58,510,981.04	60,598,487.73
Amortisation of long-term prepaid expenses	11,990,156.47	5,809,859.86
Total	732,506,818.39	729,562,364.04

64. 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 year, the Group had recognised gain on disposal of investments of RMB26,896,200.

65. Operating rental expense

Operating rental expense for the period is RMB246,674,309.32 (Last year: RMB19,878,225.66), among which rental expenditure for machinery is RMB74,821,540.62 (Last year: RMB11,988,753.47).

66. Rental income

Operating rental income for the period is RMB91,384,340.83 (Last year: RMB33,478,977.37), including rental income from land and buildings of RMB60,019,654.33 (Last year: RMB15,233,278.78).

67. 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 year	Last year
Net profit attributable to shareholders of parent company	1	71,224,250.43	98,320,709.38
Exceptional items attributable to the Company	2	167,220,771.03	1,717,958,577.06
Net profit attributable to shareholders of the Company, net of exceptional items	3=1-2	-95,996,520.60	-1,619,637,867.68
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		9.00
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	12.00	12.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,385,788,271.25
Weighted average number of ordinary shares adjustments because of business combination under common control	13	1,413,506,378.00	1,317,763,446.25
Basic earnings per share (I)	14=1÷12	0.0504	0.0709
Basic earnings per share (II)	15=3÷13	-0.0679	-1.2291
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)	0.0504	0.0709
Diluted earnings per share (II)	21=[3+(16-18)×(1-17)]÷(13+19)	-0.0679	-1.2291

68. Dividends

Final dividends for the year ended 31 December 2015 totalling RMB42,405,191.34 were declared and paid during the 12-month period ended 31 December 2016 (2015: RMB0).

Pursuant to a resolution of the Board passed on 31 March 2017, the Company proposes to pay a dividend for the year ended 31 December 2016 of RMB22,616,102.05 (corresponding period of last year: RMB42,405,191.34). In 2016, the Group's net profit attributable to shareholders of the Company for 2016 was RMB71,224,250.43, and total undistributed profit of the Company for 2016 was RMB674,572,834.25. Based on the total share capital of the Company as at 31 December 2016 of 1,413,506,378 shares, cash bonus of RMB0.16 (inclusive of tax) for every 10 shares is proposed for distribution to all shareholders, totalling RMB22,616,102.05 (inclusive of tax). The remaining undistributed profit will be carried forward to next year. The Company will not increase its share capital by way of capitalisation of reserves for 2016. This profit distribution proposal is subject to the approval at the 2016 annual general meeting.

69. Supplementary information on consolidated income statement

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

Item	Current year	Last year
Raw materials consumed	14,962,995,518.41	18,084,233,848.62
Employee compensation expenses	4,293,629,490.28	4,296,313,664.84
Depreciation expenses	662,005,680.88	663,154,016.45
Amortisation expenses	70,501,137.51	60,598,487.73
Product fee	2,298,745,872.95	2,353,789,286.40
Utilities fee	395,376,571.02	291,137,528.91
Taxes and surcharges	26,547,699.29	60,028,074.33
Others	516,209,882.51	675,970,814.06
Total	23,226,011,852.85	26,485,225,721.34

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70. Items in 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 year	Last year
Receipts of product subsidies		191,583,400.00
Income from other current accounts received	465,938,140.99	186,087,990.32
Government grants	201,433,360.37	195,340,892.69
Other non-operating income	5,960,257.64	15,586,770.52
Interest income	190,093,742.06	153,669,357.63
Receipt/recovery of deposit	106,253,542.85	137,975,899.37
Total	969,679,043.91	880,244,310.53

2) Other cash payments relating to operating activities

Item	Current year	Last year
Administrative expense	225,465,028.25	378,525,006.20
Selling expense	12,571,487.37	98,187,660.74
Non-operating expenses	1,122,810.54	865,345.03
Warranty expense	73,754,887.35	40,796,542.15
Payment of other current accounts	77,359,716.87	310,437,701.27
Bank charges	8,847,481.74	15,396,688.07
Reserve funds	50,383,892.14	15,019,669.44
Security deposit	30,790,205.49	74,174,183.85
Total	480,295,509.75	933,402,796.75

3) Other cash receipts relating to investing activities

Item	Current year	Last year
Release of pledge on fixed deposit	13,077,779,727.20	9,784,432,638.61
Interest income from fixed deposits and other interest income	225,585,533.12	317,570,577.63
Assets income compensation		1,076,000,000.00
Total	13,303,365,260.32	11,178,003,216.24

4) Other cash payments relating to investing activities

Item	Current year	Last year
Pledge of fixed deposit	7,104,772,153.03	9,534,530,067.77
Fixed assets upgrading expense	33,386.60	
Total	7,104,805,539.63	9,534,530,067.77

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5) *Other cash receipts relating to financing activities*

Item	Current year	Last year
State subsidy	205,500,000.00	170,000,000.00
Others	3,813.33	
Total	205,503,813.33	170,000,000.00

6) *Other cash payments relating to financing activities*

Item	Current year	Last year
Issuance fees and relevant cost		3,547,126.33
Handling charges for guarantee letters		786,497.79
Total		4,333,624.12

(2) **Supplementary information on consolidated cash flow statement**

Item	Current year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	86,688,161.93	103,897,638.65
Add: Provision for impairment of assets	208,829,341.68	391,283,454.14
Disposal of fixed assets	662,005,680.88	663,154,016.45
Amortisation of intangible asset	58,510,981.04	60,598,487.73
Amortisation of long-term prepaid expenses	11,990,156.47	5,809,859.86
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	3,545,381.03	3,235,522.94
Loss on disposal of fixed assets (Gain listed as "-")	4,874,335.67	
Loss on changes in fair value (Gain listed as "-")	-168,178,506.59	129,608,691.45
Finance cost (Gain listed as "-")	137,525,006.49	107,167,347.06
Loss on investments (Gain listed as "-")	48,371,480.29	-2,034,308,125.58
Decrease in deferred tax assets (Increase listed as "-")	-25,352,763.63	256,292,722.57
Increase in deferred tax liabilities (Decrease listed as "-")	-1,811,436.74	-965,944.75
Decrease in inventories (Increase listed as "-")	-1,161,900,284.62	-2,528,216,042.54
Decrease in operating receivables (Increase listed as "-")	507,186,075.85	-288,688,719.04
Increase in operating payables (Decrease listed as "-")	-4,133,357,244.92	2,072,879,017.29
Others		
Net cash flows from operating activities	-3,761,073,635.17	-1,058,252,073.77
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	9,885,435,368.48	9,232,645,596.18
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	652,789,772.30	891,209,854.81

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(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	9,885,435,368.48	9,232,645,596.18
Including: Cash on hand	463,241.63	456,708.87
Bank deposits available for use on demand	9,884,636,728.42	9,232,133,831.88
Other monetary funds for use on demand	335,398.43	55,055.43
Cash equivalents		
Including: Bonds investments due within three months		
Cash and cash equivalents at the end of the year	9,885,435,368.48	9,232,645,596.18

Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use

71. Assets subject to restrictions in ownership or use right

Item	Ending carrying amount	Reasons for restrictions
Cash at bank and on hand	2,462,534,609.78	Pledged to secure borrowings, letters of guarantees/bills/letter of credit and term deposits with maturity of over 3 months

72. Foreign currency monetary items

Item	Ending balance of foreign currency	Translation rate	Ending balance denominated in RMB
Cash at bank and on hand			3,356,896,133.86
Including: USD	452,289,126.10	6.9370	3,137,529,667.75
HKD	218,990,321.27	0.8945	195,886,842.38
EUR	3,207,310.57	7.3068	23,435,176.87
JPY	125,762.00	0.0596	7,494.28
MOP	33,471.90	0.8708	29,147.33
GBP	917.25	8.5094	7,805.25
Accounts receivable			223,095,279.58
Including: USD	25,214,487.38	6.9370	174,912,898.93
EUR	1,056,219.72	7.3068	7,717,586.25
HKD	42,046,484.65	0.8945	37,611,000.99
MOP	3,277,208.84	0.8708	2,853,793.41
Other receivables			26,098,053.98
Including: USD	2,535,710.33	6.9370	17,590,222.56
HKD	8,869,268.18	0.8945	7,933,649.08
MOP	659,737.39	0.8708	574,182.34
Interest receivable			935,663.10
USD	134,880.08	6.9370	935,663.10
Long-term receivables			148,174,320.00
USD	21,360,000.00	6.9370	148,174,320.00
Accounts payable			64,499,852.61
USD	3,589,974.67	6.9370	24,903,654.29
HKD	44,265,797.27	0.8945	39,596,198.32
Other payables			21,022,058.79
USD	2,376,499.77	6.9370	16,485,778.90
HKD	4,925,627.62	0.8945	4,406,023.17
MOP	149,582.82	0.8708	130,256.72
Short-term borrowings			12,136,500.54
USD	1,204,681.50	6.9370	8,356,875.58
EUR	517,275.00	7.3068	3,779,624.96

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VII. CHANGES IN SCOPE OF CONSOLIDATION

1. Liquidation of a subsidiary

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 Wanda Marine Engineering Co., Ltd. ("Wanda").

On 8 December 2016 and 16 December 2016, respectively, Wanda obtained the Taxation Matter Notice (Qi Shui Tong [2016] No. 15885) and the Taxation Matter Notice (Shui Li Guo Shui Shui Tong [2016] No. 157819) issued by the Large Enterprise Taxation Management Bureau of Guangzhou Local Taxation Bureau and Guangzhou Liwan District State Taxation Bureau, which indicated that Wanda was qualified for registration for cancelled and its registration for cancellation had been approved. On 29 December 2016, Wanda obtained the Notice for Cancellation of Enterprise Registration ((Sui) Wai Zi Zhun Zi [2016] No. 03201612210150) issued by Guangzhou Liwan Administration for Industry and Commerce, and its registration had been cancelled.

2. Save for the aforesaid liquidation of subsidiary, there was no change in the scope of consolidation for the Group in 2016.

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of subsidiary	Place of registration and principal operation	Business Nature	Registered capital (in RMB ten thousand)	Percentage of shareholding (%)		Acquisition method
				Direct	Indirect	
Subsidiaries indirectly held through two-level structures						
Guangzhou Shipyard International Company Limited	Guangzhou	Shipbuilding	272,000	100.00		Business combination under common control
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou	Shipbuilding	197,379.85	100.00		Business combination under common control
GSI Yangzhou Co., Ltd.	Yangzhou	Shipbuilding	130,283.62	100.00		Establishment through investment
Subsidiaries indirectly held through three-level structures						
Guangzhou Longxue Pipe Co., Ltd. ^{note 1}	Guangzhou	Pipe processing	7,000		42.86	Business combination under common control
Guangzhou Xingshun Marine Services Co., Ltd.	Guangzhou	Installation, welding, fitting and coating, repairing of ships	200		100.00	Establishment through investment
Guangzhou United Steel Structures Limited ^{note 2}	Guangzhou	Steel structures	US\$8.85 million		100.00	Establishment through investment
Guangdong GSI Elevator Co., Ltd.	Guangzhou	Manufacturing of elevators	2,100		100.00	Establishment through investment
Guangzhou Hongfan Technology Co., Ltd.	Guangzhou	Software development	500		51.00	Establishment through investment
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Guangzhou	Rendering of services	500		100.00	Establishment through investment
Guangzhou Hongfan Hotel Co., Ltd.	Guangzhou	Catering services	11,940		100.00	Establishment through investment
Glory Group Development Co., Ltd.	Hong Kong	General trading	HK\$30 million		100.00	Establishment through investment
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	Guangzhou	Equipment manufacturing	18,861		100.00	Establishment through investment
Zhongshan GSI Marine Engineering Company Limited	Zhongshan	Equipment manufacturing	70,000		100.00	Establishment through investment
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Guangzhou	Equipment manufacturing	5,000		100.00	Establishment through investment
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Guangzhou	Shipbuilding	6,800		100.00	Business combination under common control
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Zhanjiang	Rendering of services	200		80.50	Business combination under common control
Guangzhou Longxue Properties Co., Ltd.	Guangzhou	Property management	150		66.67	Business combination under common control

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Name of subsidiary	Place of registration and principal operation	Business Nature	Registered capital (in RMB ten thousand)	Percentage of shareholding (%)		Acquisition method
				Direct	Indirect	
Guangzhou Xinhua Human Resources Service Co., Ltd.	Guangzhou	Rendering of services	200		75.00	Business combination under common control
Guangzhou Wenchong Shipyard Co., Ltd.	Guangzhou	Shipbuilding	52,017.8455		100.00	Business combination under common control
Guangzhou Xingji Maritime Engineering Design Co., Ltd. ^{note 2}	Guangzhou	Professional technology and services	500		75.00	Establishment through investment
Subsidiaries indirectly held through four-level structures						
Fanguang Development Co., Ltd.	Hong Kong	General trading	HK\$200,000		80.00	Establishment through investment
Guangzhou Wenchong Zhonggong Co. Ltd.	Guangzhou	Equipment manufacturing	3,000		100.00	Business combination under common control
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd. ^{note 2}	Guangzhou	Equipment manufacturing	560		60.00	Business combination under common control
Subsidiaries indirectly held through five-level structures						
Fanguang (Macau) Development Single Person Co., Ltd.	Macau	Construction project	MOP100,000		80.00	Establishment through investment

Note 1: 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 the Pipe Company, and it is therefore included into the scope of consolidation.

Note 2: Guangzhou United Steel Structures Limited, Guangzhou Xingji Maritime Engineering Design Co., Ltd. and Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd. are joint ventures of the Group.

(2) Significant non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interest	Gain or loss attributable to minority interests for the year	Dividends declared to minority interests for the year	Ending balance of minority interests
Fanguang Development Co., Ltd.	20.00%	11,414,171.97	1,160,000.00	12,937,179.26

(3) Major financial information on significant non-wholly-owned subsidiaries (Unit: in RMB ten thousand)

Name of subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Fanguang Development Co., Ltd.	26,672.09	21.08	26,693.17	20,224.58		20,224.58	25,051.09	31.83	25,082.91	23,741.37		23,741.37

(Continued)

Name of subsidiary	Current year				Last year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Fanguang Development Co., Ltd.	66,195.20	5,707.04	5,707.04	29,050.45	71,398.01	1,133.08	1,133.08	-9,479.29

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(4) **Material restrictions on the use of assets of the enterprise group and settlement of debts of the enterprise group**

None.

(5) **Financial or other assistance provided to structured entities included in the consolidated financial statements**

None.

2. **Transaction resulting in the change in percentage of owner's equity in subsidiaries without losing control**

None.

3. **Interests in joint ventures or associates**

(1) **Aggregated financial information of insignificant joint ventures and associates**

Item	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Associates:		
Total carrying amount of investments	68,961,676.66	78,062,223.23
Amounts in aggregate in proportion to the shareholdings:		
– Net profit	1,779,996.01	1,279,915.09
– Other comprehensive income		
– Total comprehensive income	1,779,996.01	1,279,915.09

(2) **Major restrictions on the ability of joint venture or associate to transfer funds to the Company**

None.

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include: borrowings, receivables and payables. For details for each financial 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 analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(1) Market risk

1) Exchange risk

The Group's foreign exchange exposure is mainly related to USD, HKD and EUR. Except that the Group is using foreign currencies including USD, HKD and EUR for sales and purchase transactions in respect of shipbuilding business, other main business operations of the Company are denominated and settled in RMB. As at 31 December 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 denominated 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	31 December 2016	31 December 2015
Cash and cash equivalents-USD	452,289,126.10	476,301,495.62
Cash and cash equivalents-HKD	218,990,321.27	248,913.86
Cash and cash equivalents-EUR	3,207,310.57	458,656.98
Cash and cash equivalents-MOP	33,471.90	
Cash and cash equivalents-JPY	125,762.00	126,679.25
Cash and cash equivalents-GBP	917.25	
Accounts receivable-USD	25,214,487.38	32,269,494.57
Accounts receivable-HKD	42,046,484.65	
Accounts receivable-MOP	3,277,208.84	3,277,585.17
Accounts receivable-EUR	1,056,219.72	2,991,671.46
Other receivables-USD	2,535,710.33	
Other receivables-HKD	8,869,268.18	
Other receivables-MOP	659,737.39	
Interest receivable-USD	134,880.08	1,111,076.88
Long-term receivables-USD	21,360,000.00	73,003,413.95
Accounts payable-USD	3,589,974.67	1,131,586.82
Accounts payable-HKD	44,265,797.27	34,560,948.37
Interest payable-USD		338,147.22
Interest payable-EUR		495,745.95
Other payables-USD	2,376,499.77	315,000.00
Other payables-HKD	4,925,627.62	30,294.12
Other payables-MOP	149,582.82	
Short-term borrowings-USD	1,204,681.50	440,000,000.00
Short-term borrowings-EUR	517,275.00	70,500,000.00

The Group pays close attention to the impact of exchange rate changes on the Group, and attaches importance to the study of exchange rate risk management policies and strategies. It adjusts the structure of foreign currency assets or liabilities in accordance with the trend of exchange rate changes to reduce the impact of exchange rate 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 31 December 2016, the Group's bank borrowings mainly included fixed interest rate contracts in RMB and USD with total amount of RMB4,594,857,000.00 (31 December 2015: RMB7,141,671,403.20) and floating interest rate contracts in RMB and USD with total amount of RMB9,864,536,500.54 (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.

3) Price risk

The Group undertakes sales orders for shipbuilding and ship repairing, offshore engineering products and electromechanical products at market price, and is subject to the price fluctuations.

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(2) Credit risk

As at 31 December 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 financial institutions including 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 RMB653,010,892.43 (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 31 December 2016, the unused bank facilities amount of the Group were RMB36,357 million (31 December 2015: RMB23,247 million).

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:

31 December 2016:

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets	14,005,698,578.78	1,469,234,326.66	245,998,681.49	210,642,769.02	15,931,574,355.95
Cash at bank and on hand	12,064,553,118.26	283,416,860.00			12,347,969,978.26
Notes receivable	122,945,274.57				122,945,274.57
Accounts receivable	1,312,727,362.83				1,312,727,362.83
Other receivables	83,253,636.68				83,253,636.68
Interest receivable	122,219,186.44	16,024,656.82			138,243,843.26
Long-term receivables		168,792,809.84	245,998,681.49	187,024,105.71	601,815,597.04
Entrusted wealth management products	300,000,000.00	1,001,000,000.00			1,301,000,000.00
Available-for-sale financial assets				23,618,663.31	23,618,663.31
Financial liabilities	15,876,366,941.93	3,368,515,441.66	2,809,516,324.97	2,423,669,651.77	24,478,068,360.33
Short-term borrowings	445,636,500.54				445,636,500.54
Notes payable	1,916,069,525.06				1,916,069,525.06
Accounts payable	7,263,636,176.96				7,263,636,176.96
Other payables	358,190,436.06				358,190,436.06
Dividends payable	1,496,004.54	2,310,000.00			3,806,004.54
Interest payable	11,109,426.83				11,109,426.83
Employee benefits payable	59,354,143.31				59,354,143.31
Taxes payable	127,111,097.76				127,111,097.76
Long-term employee benefits payable	18,563,630.87	20,505,441.66	61,516,324.97	178,812,651.77	279,398,049.27
Long-term borrowings	5,675,200,000.00	3,345,700,000.00	2,748,000,000.00	2,244,857,000.00	14,013,757,000.00

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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 rate 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 year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Strengthened by 5% against RMB	107,527,232.47	107,527,232.47	5,988,281.75	5,988,281.75
USD	Weakened by 5% against RMB	-128,623,618.91	-128,623,618.91	-5,988,281.75	-5,988,281.75

(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 year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-71,750,416.40	-71,750,416.40	-68,621,074.60	-68,621,074.60
Floating-rate borrowings	Decrease by 1%	71,750,416.40	71,750,416.40	68,621,074.60	68,621,074.60

X. DISCLOSURE OF FAIR VALUE

1. Fair value of assets and liabilities measured at fair value at the end of the year 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) Available-for-sale financial assets	3,151,874.04			3,151,874.04
(1) Investment in equity instruments	3,151,874.04			3,151,874.04
Total assets measured at fair value on a recurring basis	3,151,874.04			3,151,874.04

2. Basis for determination of level 1 fair value measurement on recurring and non-recurring basis

Of the available-for-sale financial assets, investment in equity instruments measured at fair value represented shares in listed companies, and the Company recognised their fair value at the closing price as at 31 December 2016.

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XI. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

(i) Relationships with related parties

1. Controlling shareholder and ultimate controller

(1) Controlling shareholder and ultimate controller

Name of controlling shareholder and ultimate 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	35.50	59.97

(2) Controlling shareholder's registered capital and its changes

Controlling shareholder	Beginning balance	Increase for the year	Decrease for the year	Ending balance
CSSC	RMB22 billion			RMB22 billion

(3) Shareholding of controlling shareholder and its parties acting in concert and changes

Controlling shareholder	Shareholding amount		Percentage of shareholding (%)		Remarks
	Ending balance	Beginning balance	Percentage at the end of the year	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	Party acting in concert
Total	847,685,990.00	847,685,990.00	59.97	59.97	

2. Subsidiaries

Please refer to Note VIII.1(1) "Composition of the Group" for details of the subsidiaries of the Company.

3. 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 labor services	190440532
	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and technical labor 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 labor services	717810086
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Marine accessories	56586979
	Anqing CSSC Diesel Engine Co., Ltd.	Product and equipment	151306277
	CSSC 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.	Labor 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	Labor 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 labor 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
	Guangzhou Wenchong Dockyard Co., Ltd.	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 labor services	799437720
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Technical labor 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 labor 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

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Relationship	Name of related party	Content of major transactions	Code of organisation
	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
	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
	Haiping 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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(ii) 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/receipt of services

Related party	Content of transaction	Current year	Last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Materials purchased	3,122,995,597.83	4,516,051,344.11
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	786,708,080.34	452,769,683.86
CSSC System Engineering Research Institute	Technical labor services	608,548,444.44	314,345,200.00
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Technical labor services	285,708,113.52	272,346,018.97
CSSC Marine Power Co. Ltd.	Marine accessories	223,486,083.76	161,445,877.90
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Marine accessories	207,812,205.73	196,646,597.03
Hualian Ship Co., Ltd.	Marine accessories	200,704,472.86	304,891,259.39
CSSC (Hong Kong) Shipping Company Limited	Technical labor services	123,101,278.85	163,334,848.66
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	95,282,974.36	78,226,696.58
CSSC Nanjing Oasis Machine Co., Ltd.	Marine accessories	90,761,811.96	102,837,011.73
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labor services	71,669,256.02	142,956,213.70
Design and Research Institute of China Shipbuilding and Marine Engineering	Technical labor services	60,336,256.94	31,735,000.00
Shanghai Haixun Electrical Engineering Co., Ltd.	Marine accessories	43,874,719.11	65,221,582.00
China Shipbuilding Trading Co., Ltd.	Marine accessories	37,393,573.18	65,974,100.50
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Materials purchased	33,010,047.12	17,052,664.52
China State Shipbuilding Steel Structure Engineering Company Limited	Materials purchased	32,642,536.81	145,049,478.80
CSSC Southern China Ship Machinery Co., Ltd.	Technical labor services	32,401,238.29	24,459,220.00
Haiying Enterprises Group Co., Ltd.	Marine accessories	25,710,000.00	-
Guangzhou Shipyard HR Service Co., Ltd.	Technical labor services	22,399,915.27	53,678,628.77
Shanghai Merchant Vessel Design and Research Institute	Marine accessories	18,736,952.83	56,814,286.79
Jiuliang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	17,429,203.98	20,011,663.12
Guangzhou Wenchong Dockyard Co., Ltd.	Technical labor services	14,894,683.14	81,585,245.92
Jiuliang CSSC Fire Equipment Manufacture Co., Ltd.	Marine accessories	12,440,148.06	9,090,120.00
Marinequip China Company Limited	Marine accessories	11,848,472.03	4,833,366.68
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Technical labor services	10,337,264.96	214,914.53
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Materials purchased	8,245,192.91	157,000.00
Jiangxi Chaoyang Machinery Factory	Marine accessories	7,955,506.29	15,253,333.05
Beijing Shipbuilding Information Technology Co., Ltd.	Labor and technical services	7,581,381.14	7,338,921.96
China Ship Power Station Equipment Co., Ltd.	Technical labor services	6,898,162.39	6,845,000.00
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	6,473,792.30	12,844,186.11
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Marine accessories	6,277,785.03	5,584,899.12
TTS Hua Hai International Trading Co., Ltd.	Materials purchased	6,237,348.14	-
Guangzhou Shipyard Hospital	Purchase of goods and services received	5,801,714.67	4,098,689.11
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Materials purchased	4,853,929.15	11,930,838.43
CSSC Marine Technology Co., Ltd.	Marine accessories	4,444,176.07	12,452,532.80
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Technical labor services	3,856,261.80	12,708,028.07
Shanghai Hudong Shipyard Valve Co., Ltd.	Materials purchased	3,773,283.76	2,742,743.57
Workers' Hospital of Guangzhou Huangpu Shipyard	Technical labor services	3,643,361.40	2,506,454.00
CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories	3,247,863.25	5,360,000.00
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials purchased	3,198,497.40	5,384.61
Wah-Chang International Marine Industry Company Limited	Marine accessories	2,885,550.19	-
Jiuliang Precision Testing Technology Research Institute	Electromechanical equipment and metal materials	2,824,400.00	-
China Shipbuilding International Trading Co., Ltd.	Technical labor services	2,758,755.66	9,058,707.37
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Materials purchased	2,729,400.00	1,500,000.00
TTS Hua Hai Ships Equipment Co., Ltd.	Materials purchased	2,355,342.39	10,436,054.45
Jiuliang Shipbuilding Fire Automation Co., Ltd.	Marine accessories	2,281,365.81	233,920.00
Technician Training School of Guangzhou Huangpu Shipyard	Technical labor services	2,261,845.28	69,736.40
Kindergarten of Guangzhou Huangpu Shipyard	Technical labor services	2,025,000.00	-

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

Related party	Content of transaction	Current year	Last year
Beijing Leiyin Electronic Technology Development Co., Ltd.	Marine accessories	1,786,800.00	
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Technical labor services	1,456,923.08	
China Shipbuilding Technology Institute	Technical labor services	1,342,657.37	1,424,748.35
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Materials purchased	811,965.81	
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Materials purchased	756,681.00	
Jiangxi CSSC Navigation Instrument Co., Ltd.	Marine accessories	667,666.67	
Guangzhou Hairong Industrial Co., Ltd.	Marine accessories	564,000.00	564,000.00
Jiujiang Zhongchuan Instrument Co., Ltd.	Marine accessories	342,000.00	-
CSSC Heavy Equipment Co., Ltd.	Technical labor services	291,850.97	314,429.03
China State Shipbuilding Corporation No.11 Research Institute	Technical labor services	202,564.10	2,195,700.00
Beijing Ship Industry Management College	Labor and technical services	181,932.08	
Shanghai CSSC Fire Protection Engineering Technology Co., Ltd.	Materials purchased	176,010.26	
CSSC Materials Engineering Co., Ltd.	Materials purchased	170,940.17	170,940.16
Beijing CSSC Film Production Centre	Labor and technical services	140,566.04	
CSSC Electronic Technology Co., Ltd.	Materials purchased	120,000.00	
Anqing Marine Electric Co., Ltd.	Marine accessories	107,008.54	159,300.00
China Shipbuilding Trading Shanghai Co., Ltd.	Materials purchased	81,639.32	3,493,855.35
Shanghai Shenbo Information System Engineering Co., Ltd.	Materials purchased	11,000.00	
Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Technical labor services		330,097.08
Guangzhou Ship Industrial Company	Technical labor services		26,801,432.16
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Technical labor services		4,960,000.00
Jiangnan Shipbuilding (Group) Co., Ltd.	Marine accessories		4,500.00
Shanghai Jiangnan Career Skills Training Center	Materials purchased		86,200.00
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Materials purchased		15,600,136.76
China Shipbuilding Industry Complete Logistics Co., Ltd.	Technical labor services		1,793,927.95
China Ship News Agency	Marine accessories		111,490.56
Total		6,302,055,451.83	7,460,708,210.01

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 last 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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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(2) Sale of goods/renderings of services

Related party	Content of transaction	Current year	Last year
CSSC (Hong Kong) Shipping Company Limited	Sale of materials, rendering of technical labor services	1,618,724,704.53	979,042,963.56
China Shipbuilding Trading Shanghai Co., Ltd.	Sale of materials, labour and technical services	150,799,281.53	65,049,029.74
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	79,978,215.17	91,558,678.43
Guangzhou Wenchong Dockyard Co., Ltd.	Sale of materials, labour and technical services	29,709,755.85	79,442,920.18
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Labor and technical services	28,797,661.27	15,977,851.56
CSSC Chengxi Shipbuilding Co., Ltd.	Power, labor and technical services	18,631,355.39	52,674,515.17
China State Shipbuilding Steel Structure Engineering Company Limited	Labor and technical services	14,877,260.26	4,874,160.93
China Shipbuilding Trading Co., Ltd.	Labor and technical services	9,398,186.31	15,491,317.94
China State Shipbuilding Corporation No.11 Research Institute	Labor and technical services	6,000,000.00	
Beijing Shipbuilding Information Technology Co., Ltd.	Sale of materials	3,256,565.05	2,277,519.74
Guangzhou Shipyard Co., Ltd.	Supply of power, labor and technical services	2,152,340.56	10,016,257.81
CSSC Guijiang Shipbuilding Co., Ltd.	Sale of materials, rendering of technical labor services	1,739,347.91	738,153.26
China Shipbuilding Technology Institute	Labor and technical services	1,708,490.58	196,847.28
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Labor and technical services	1,618,438.43	1,229,247.87
Technician Training School of Guangzhou Huangpu Shipyard	Supply of utilities	609,544.19	
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Labor and technical services	458,018.87	1,223,169.53
CSSC Marine Power Co. Ltd.	Labor and technical services	404,008.55	
Workers' Hospital of Guangzhou Huangpu Shipyard	Supply of utilities	311,323.28	
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sale of materials, rendering of labor services	281,499.34	
CSSC Southern China Ship Machinery Co., Ltd.	Labor and technical services	166,862.16	3,440,256.96
Jiangnan Shipbuilding (Group) Co., Ltd.	Labor and technical services	162,393.16	608,974.35
CSSC System Engineering Research Institute	Labor and technical services	141,509.43	283,018.87
CSSC Heavy Equipment Co., Ltd.	Labor and technical services	124,362.71	650,707.63
Jiulong Steel Logistics Co., Ltd.	Labor and technical services	76,923.08	
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Labor and technical services	73,162.39	1,650,000.01
Technician Training School of Guangzhou Shipyard	Supply of utilities	68,230.09	8,540.00
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Supply of utilities	67,320.75	36,954.85
Kindergarten of Guangzhou Huangpu Shipyard	Supply of utilities	51,922.49	
Design and Research Institute of China Shipbuilding and Marine Engineering	Labor and technical services	44,339.62	173,018.87
Guangzhou Ship Industrial Company	Sale of materials	38,866.31	33,378.81
CSSC Finance Company Limited	Labor and technical services	33,018.87	
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Sale of materials	18,786.18	55,083.76
Guangzhou Shipyard Nursing Home	Supply of utilities	17,473.79	
Guangzhou Huamao Center	Labor and technical services	11,675.06	
CSSC Xijiang Shipbuilding Co., Ltd.	Supply of utilities	8,122.64	84,602.49
Shanghai Haixun Electrical Engineering Co., Ltd.	Sales of scrap materials	3,634.19	
CSSC Guangzhou Marine Diesel Engine Co., Ltd.	Labor and technical services		22,405.66
CSSC Nanjing Oasis Machine Co., Ltd.	Labor and technical services		256,410.26
China Shipbuilding Industry Complete Logistics Co., Ltd.	Sale of materials		4,090,142.55
China State Shipbuilding Corporation	Sale of materials		1,307,716.98
Total		1,970,564,599.99	1,332,493,845.05

Note: Pricing principle:

- Sale price of electrical and mechanical equipment and metal materials to be based on market price.
- Supply of utilities to be based on cost plus 20% to 25% of administrative expense.
- Labour service and design and technical services to be based on market price or cost plus 10% to 25% of administrative expense, which will not be lower than the price sold to independent third parties.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

2. Receipt of financial services

(1) Deposits

Name of related party	Balance of deposits		Interest income on deposits	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	5,759,295,192.97	6,718,644,795.52	70,470,764.07	88,783,272.58

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 year	Last year
CSSC Finance Company Limited	3,842,400,000.00	4,607,000,000.00	203,112,487.18	175,544,046.79

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.

Note: The balance of loan provided by CSSC Finance Company Limited included, among others, entrusted loan provided to the Group by CSSC.

(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 amount	Beginning balance amount	Current year (RMB)	Last year (RMB)	Current year (RMB)	Last year (RMB)
CSSC Finance Company Limited		US\$86 million and EUR4.5 million		-688,043.73	-216,066.93	-

(4) Entrusted wealth management products

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	1,301,000,000.00	1,005,000,000.00	74,500,430.10	40,549,385.48

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016
(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

3. Related party lease

(1) As lessor

Name of lessor	Name of lessee	Nature of assets leased	Rental income recognised for the year	Rental income recognised for the last year
Guangzhou Shipyard International Company Limited	Guangzhou Wenchong Dockyard Co., Ltd.	Land, buildings and equipment	13,235,641.15	2,998,978.64
GSI Yangzhou Co., Ltd.	CSSC Chengxi Shipbuilding Co., Ltd.	Land, buildings and equipment	61,446,068.24	14,048,599.06
Total			74,681,709.39	17,047,577.70

Note 1: In 2016, GSI, a subsidiary of the Company, and CSSC Chengxi Shipbuilding (Guangzhou) Company Limited (currently renamed as "Guangzhou Wenchong Dockyard Co., Ltd.", hereinafter referred to as "Wenchong Dockyard") entered into a property lease framework agreement in relation to the quarter for workers of CSSC Longxue base (stage 1 of phase I), which stipulates that: four worker's quarter buildings for use by Wenchong Dockyard will be built by GSI at the expense of GSI (the exact amount of building construction expense shall be agreed by the parties). The construction expense of the four buildings will be recovered through rental to be paid by Wenchong Dockyard, and Wenchong Dockyard will make prepayment using the reserve fund and progress billing before the construction begins amounting to RMB76,508,714.95 in total, which will bear interest. The agreed quarter construction expense will bear interest at the benchmark loan rate published by the People's Bank of China for a term of over 5 years and Party B shall pay monthly quarter rental to Party A on a basis of equal monthly principal and interest for a period of 40 years. In 2016, the rental for the four worker's quarter buildings amounted to RMB13,038,946.58 in total. Site rental payable by Wenchong Dockyard to GSI amounted to RMB196,694.57 in 2016. Income recognised by GSI from rental received from Wenchong Dockyard amounted to RMB13,235,641.15 in total in 2016.

Note 2: In December 2015, GSI Yangzhou, 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(2) As lessee

Name of lessor	Name of lessee	Nature of assets leased	Rental fees recognised for the year	Rental fees recognised for last year
Guangzhou Ship Industrial Company	CSSC Huangpu Wenchong Shipbuilding Company Limited	Land and buildings	7,696,152.66	7,574,073.62
Guangzhou Ship Industrial Company	Guangzhou Wenchong Shipyard Co., Ltd.	Land and buildings	19,602,770.70	21,851,672.04
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	128,000,000.00	11,200,000.00
Total			155,298,923.36	40,625,745.66

Note 1: In 2014, Guangzhou Ship Industrial Company ("Guangzhou Company") entered into a lease agreement with Huangpu Wenchong and Wenchong Shipyard, both subsidiaries of the Company, 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 Co., Ltd. ("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 Dongliang 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 (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 RMB0. 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 Co., Ltd. ("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 for a term of 25 months commencing on 1 December 2015. Based on monthly rent of RMB11.20 million (inclusive of tax), the total rent amounted to RMB280 million. The rent was determined with reference to the rent for land and buildings in surrounding areas and a report issued by Guangdong Jinghua Asset Appraisal and Property and Land Valuation Co., Ltd. in relation to annual lease value of the buildings, structures and other ancillary facilities, pipelines, troughs and land use right held by Guangzhou Shipyard Shipping Co., Ltd. for the purpose of operating lease of CSSC Offshore & Marine Engineering (Group) Company Limited (Yue Jing Zi Ping Bao Zi [2015] No. 682), which valued the annual rent at RMB134,556,096.

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4. Related Guarantee

(1) *Guarantee provided by related parties for the Group*

As at 31 December 2016, there was no guarantee provided by any related party for the Group.

(2) *Guarantee provided by the Group for loans to related parties*

As at 31 December 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	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
the Company	Guangzhou Shipyard International Company Limited	500,000,000.00	2012-6-20	2022-6-15	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	96,000,000.00	2016-9-14	2017-7-14	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	500,000,000.00	2012-7-18	2019-7-15	No
Guangzhou Wenchong Shipyard Co., Ltd.	CSSC Huangpu Wenchong Shipbuilding Company Limited	500,000,000.00	2012-7-18	2019-7-15	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	54,000,000.00	2014-12-17	2017-5-31	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	46,000,000.00	2015-2-26	2017-5-31	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	140,000,000.00	2015-4-24	2017-5-31	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	100,000,000.00	2015-12-24	2017-3-31	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	68,000,000.00	2015-12-24	2017-6-30	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	200,000,000.00	2016-9-14	2017-12-31	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	446,120,000.00	2015-7-6	2017-1-4	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	600,000,000.00	2012-7-18	2019-7-15	Guangzhou Shipyard
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	400,000,000.00	2016-10-24	2021-10-14	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012-7-18	2019-7-15	Huangpu Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012-7-18	2019-7-15	Wenchong Shipyard
China State Shipbuilding Corporation	Borrowing	300,000,000.00	2016-7-1	2017-3-27	Huangpu 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 5 July 2016.

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7. Other related party transactions

Name of related party	Type of related party transactions	Current year	Last year
China Shipbuilding Trading Co., Ltd.	Sales agency fees	17,890,206.54	47,901,428.81
China Shipbuilding International Trading Co., Ltd.	Sales agency fees	15,312,625.15	7,240,436.05
Hualian Ship Co., Ltd.	Sales agency fees	1,930,161.40	
CSSC (Hong Kong) Shipping Company Limited	Sales agency fees	3,561,536.14	
Hualian Ship Co., Ltd.	Procurement agency fees	3,801,815.86	4,474,489.00
China Shipbuilding Trading Co., Ltd.	Procurement agency fees	562,198.88	245,691.66
CSSC (Hong Kong) Shipping Company Limited ^{note 2}	Handling charges for factoring	2,253,924.00	2,253,924.00

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. As at the end of 2016, three ships were not completed and delivered.

8. Related party transactions and connected transactions

The related party transactions mentioned in (1) to (7) 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.

(iii) Related party transactions between the Company and its subsidiaries

1. Purchase of goods and services received

Related party	Content of connected transactions	Current year	Last year
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	Purchase of goods and services received	72,904.56	52,111,484.82
Guangdong GSI Elevator Co., Ltd.	Purchase of goods and services received	840,683.77	2,270,038.44
Guangzhou Guangji Shipbuilding Human Resources Service Company Limited	Services received	8,250,065.52	304,760,191.87
Guangzhou Hongfan Technology Co., Ltd.	Purchase of goods and services received	18,512.82	10,096,993.56
Guangzhou Longxue Pipe Co., Ltd.	Purchase of goods and services received		6,725,694.98
Guangzhou Wanda Marine Engineering Co., Ltd.	Purchase of goods and services received		65,066,217.55
Guangzhou Xingshun Marine Services Co., Ltd.	Purchase of goods and services received		112,017,321.39
Guangzhou United Steel Structures Limited	Purchase of goods and services received		7,909,557.93
Zhongshan GSI Marine Engineering Company Limited	Purchase of goods and services received		311,356,887.58
Glory Group Development Co., Ltd.	Purchase of goods		230,257,582.22
Guangzhou Wenchong Zhonggong Co. Ltd.	Purchase of goods and services received		2,452,751.18
Guangzhou Shipyard International Company Limited	Purchase of goods and services received	1,935,174.09	3,561,359,131.90
Guangzhou Hongfan Hotel Co., Ltd.	Purchase of goods and services received	68,212.00	
Total		11,185,552.76	4,666,383,853.42

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

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2. Sale of goods and provision of services

Related party	Content of connected transactions	Current year	Last year
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	Sale of goods and leasing of assets	61,538.46	1,539,994.20
Guangdong GSI Elevator Co., Ltd.	Sale of goods		2,457,167.10
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Sale of goods	6,960.68	188,051.01
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Sale of goods and leasing of assets		16,985,466.71
Guangzhou Hongfan Technology Co., Ltd.	Sale of goods		4,005.82
Guangzhou Longxue Pipe Co., Ltd.	Sale of goods		2,518,868.35
Guangzhou Wanda Marine Engineering Co., Ltd.	Sale of goods		71,865.55
Guangzhou Xingshun Marine Services Co., Ltd.	Sale of goods		3,025,998.77
Guangzhou United Steel Structures Limited	Sale of goods and leasing of assets	36,324.78	8,899,863.52
Zhongshan GSI Marine Engineering Company Limited	Sale of goods and leasing of assets	5,953,199.90	130,909,426.51
CSSC Huangpu Wenchong Shipbuilding Company Limited	Sale of goods and renderings of services		144,403.96
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Sale of goods and renderings of services		296,196.23
Guangzhou Wenchong Shipyard Co., Ltd.	Sale of goods and renderings of services		3,207,379.42
Guangzhou Wenchong Zhonggong Co. Ltd.	Sale of goods and renderings of services		85,940.83
Guangzhou Shipyard International Company Limited	Sale of goods	81,780,560.47	49,670,267.64
GSI Yangzhou Co., Ltd.	Rendering of services	5,471,698.12	
Total		93,310,282.41	220,004,895.62

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

(iv) Balances with related parties

1. Consolidated

(1) Receivables

Related party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Notes receivable				
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	12,876,919.99			
Subtotal of notes receivable	12,876,919.99			

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

Related party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable				
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	22,084,357.92	110,421.79	8,781,848.71	43,909.24
Guangzhou Wenchong Dockyard Co., Ltd.	12,973,707.51	64,868.54	136,969,455.41	684,847.28
Beijing Shipbuilding Information Technology Co., Ltd.	4,979,300.00	24,896.50	915,100.00	4,575.50
Guangzhou Shipyard Co., Ltd.	2,708,421.46	13,542.11	1,098,725.30	5,493.63
China Shipbuilding Trading (Guangzhou) Co., Ltd.	1,082,812.22	5,414.06	1,179,977.25	5,899.89
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	399,026.20	1,995.13	459,378.53	2,296.89
CSSC System Engineering Research Institute	285,000.00	1,425.00	180,000.00	900.00
Technician Training School of Guangzhou Huangpu Shipyard	194,900.00	974.50	-	-
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	84,574.00	422.87	84,574.00	422.87
CSSC Southern China Ship Machinery Co., Ltd.	83,460.00	417.30	-	-
China State Shipbuilding Steel Structure Engineering Company Limited	81,200.00	406.00	3,147,443.59	15,737.22
CSSC Guijiang Shipbuilding Co., Ltd.	75,846.50	379.23	-	-
Technician Training School of Guangzhou Shipyard	67,869.50	339.35	-	-
CSSC Heavy Equipment Co., Ltd.	57,905.50	289.53	557,413.94	2,787.07
Ships and Ocean Engineering Design and Research Institute of Guangzhou	57,328.00	286.64	138,985.80	694.93
Guangzhou Ship Industrial Company	36,974.00	184.87	2,064.00	10.32
CSSC Nanjing Oasis Machine Co., Ltd.	30,000.00	150.00	30,000.00	150.00
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	20,693.00	103.47	-	-
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	5,224,085.00	26,120.43	-	-
Design and Research Institute of China Shipbuilding and Marine Engineering	9,400.00	47.00	9,400.00	47.00
CSSC Xijiang Shipbuilding Co., Ltd.	5,400.00	27.00	-	-
Workers' Hospital of Guangzhou Huangpu Shipyard	50.00	0.25	-	-
China Shipbuilding Technology Institute	514,000.00	2,570.00	92,000.00	460.00
Shanghai Shipbuilding Technology Research Institute	3,000,000.00	15,000.00	-	-
Kindergarten of Guangzhou Huangpu Shipyard	17,851.80	89.26	-	-
CSSC Chengxi Shipbuilding Co., Ltd.	-	-	2,967,272.89	14,836.36
Jiulong Steel Logistics Co., Ltd.	-	-	60,000.00	300.00
Guangzhou Huamao Center	-	-	6,160.00	30.80
Sub-total of accounts receivable	54,074,162.61	270,370.83	156,679,799.42	783,399.00

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

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.	372,249,931.14		382,889,395.95	
China Shipbuilding Trading Shanghai Co., Ltd.	243,644,805.55		227,262,064.87	
Eastern Shanghai Heavy Machinery Co., Ltd.	87,097,085.47		149,702,000.00	
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	65,980,000.00		93,820,000.00	
CSSC Marine Power Co. Ltd.	43,618,499.98		88,682,444.44	
CSSC Nanjing Oasis Machine Co., Ltd.	40,624,000.00		1,900,000.00	
China Shipbuilding Trading Co., Ltd.	29,259,603.38		31,163,152.55	
Anqing CSSC Diesel Engine Co., Ltd.	18,916,666.67		5,802,000.00	
TTS Hua Hai Ships Equipment Co., Ltd.	10,480,000.00		2,130,000.00	
Wah-Chang International Marine Industry Company Limited	3,198,565.37			
Haiying Enterprises Group Co., Ltd.	850,000.00			
CSSC Southern China Ship Machinery Co., Ltd.	772,500.00			
Hualian Ship Co., Ltd.	455,502.30			
CSSC (Hong Kong) Shipping Company Limited	405,019.15		19,186,883.17	
Jiujiang Shipbuilding Fire Automation Co., Ltd.	335,000.00			
Jiangxi CSSC Navigation Instrument Co., Ltd.	15,860.00		171,860.00	
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.			100,000,000.00	
TTS Hua Hai International Trading Co., Ltd.			4,654,352.22	
Jiujiang Haitian Equipment Manufacture Co., Ltd.			1,515,000.00	
China Shipbuilding Trading (Guangzhou) Co., Ltd.			751,355.20	
China Shipbuilding Industry Complete Logistics Co., Ltd.			42,723.69	
Sub-total of prepayments	917,903,039.01	-	1,109,673,232.09	-

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From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

Related party	Ending balance		Beginning balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables				
CSSC (Hong Kong) Shipping Company Limited	625,684.13	3,128.42		
Guangzhou Wenchong Dockyard Co., Ltd.	389,944.40	1,949.72		
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	245,000.00	1,225.00		
China State Shipbuilding Corporation	207,411.12	1,037.06		
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	188,746.75	943.73		
Guangzhou Ship Industrial Company	92,400.00	462.00		
China Shipbuilding Trading Co., Ltd.	50,972.41	254.86		
Guangzhou Huamao Center	22,558.38	112.79		
Guangzhou Shipyard Co., Ltd.	18,642.62	93.21		
Beijing Ship Industry Management College	9,600.00	48.00		
Guangzhou Shipyard Hospital	9,000.00	45.00		
Design and Research Institute of China Shipbuilding and Marine Engineering	1,022.47	5.11		
Hualian Ship Co., Ltd.	704.00	3.52		
Technician Training School of Guangzhou Huangpu Shipyard	664.95	3.32		
Guangzhou Nanfang Special Coating Co., Ltd.	491.36	2.46		
Guangzhou Shipyard Shipping Co., Ltd.			9,700,000.00	48,500.00
Shanghai Lingxiang Equity Investment Co., Ltd.			593,689,815.00	2,968,449.08
Sub-total of other receivables	1,862,842.59	9,314.20	603,389,815.00	3,016,949.08
Total	986,716,964.20	279,685.03	1,869,742,846.51	3,800,348.08

(2) *Payables*

Name of item	Related party	Ending balance	Beginning balance
Notes payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	583,111,544.51	687,530,588.39
	Eastern Shanghai Heavy Machinery Co., Ltd.	307,315,000.00	158,550,000.00
	CSSC System Engineering Research Institute	257,097,100.00	257,097,100.00
	CSSC Marine Power Co. Ltd.	46,788,500.00	40,648,000.00
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	41,120,000.00	121,678,195.00
	Anqing CSSC Diesel Engine Co., Ltd.	31,323,000.00	32,119,000.00
	CSSC Nanjing Oasis Machine Co., Ltd.	25,907,980.00	15,572,600.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	4,240,000.00	16,636,305.00
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	4,236,000.00	3,163,000.00
	Design and Research Institute of China Shipbuilding and Marine Engineering	3,958,000.00	-
	Shanghai Research Institute of Shipbuilding and Marine Engineering	3,660,000.00	3,660,000.00
	Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	3,002,000.00	1,900,000.00
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	1,231,800.00	2,282,800.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	638,963.00	638,963.00
	China Shipbuilding Trading (Guangzhou) Co., Ltd.		2,812,032.81
	Jiujiang Haitian Equipment Manufacture Co., Ltd.		5,770,000.00
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.		1,000,000.00
	CSSC Southern China Ship Machinery Co., Ltd.		734,350.00
	Subtotal of notes payable	1,313,629,887.51	1,351,792,934.20

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

Name of item	Related party	Ending balance	Beginning balance
Accounts payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	538,648,153.42	752,935,065.74
	CSSC System Engineering Research Institute	341,167,500.00	330,641,800.00
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	84,818,252.64	82,761,153.87
	Guangzhou Ship Industrial Company	44,546,231.83	15,937,009.23
	Shanghai Haixun Electrical Engineering Co., Ltd.	43,026,555.39	25,489,702.75
	Guangzhou Shipyard Co., Ltd.	31,612,369.71	22,834,696.26
	CSSC Marine Power Co. Ltd.	29,780,970.00	36,650,891.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	24,789,500.00	25,000,625.95
	Anqing CSSC Diesel Engine Co., Ltd.	24,216,000.00	31,112,094.02
	Hualian Ship Co., Ltd.	23,458,761.90	-
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,472,294.28	18,472,294.28
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	16,725,635.60	12,116,870.63
	CSSC (Hong Kong) Shipping Company Limited	13,736,881.79	-
	CSSC Southern China Ship Machinery Co., Ltd.	13,147,195.40	13,910,346.60
	Design and Research Institute of China Shipbuilding and Marine Engineering	9,444,009.42	1,717,169.82
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	5,232,401.35	-
	Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	5,066,730.27	4,467,396.02
	CSSC Hua Hai Ships Equipment Co., Ltd.	4,596,500.00	5,625,125.00
	CSSC Nanjing Oasis Machine Co., Ltd.	4,366,101.71	18,233,407.90
	Guangzhou Wenchong Dockyard Co., Ltd.	3,933,072.02	5,891,401.94
	China Shipbuilding International Trading Co., Ltd.	3,771,378.81	2,884,175.00
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	3,658,000.00	4,800.00
	Beijing Shipbuilding Information Technology Co., Ltd.	2,903,654.50	1,921,046.16
	CSSC Marine Technology Co., Ltd.	2,780,500.00	5,541,400.00
	Shanghai Hudong Shipyard Valve Co., Ltd.	2,554,831.38	4,916,022.82
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	2,505,812.92	3,417,990.00
	China Ship Power Station Equipment Co., Ltd.	2,249,500.00	1,599,500.00
	China Shipbuilding Industry Complete Logistics Co., Ltd.	1,925,633.02	-
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	1,693,486.75	4,147,111.11
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	1,532,607.69	997,407.69
	Jiangxi Chaoyang Machinery Factory	1,282,013.55	3,139,371.12
	Guangzhou Shipyard HR Service Co., Ltd.	1,279,290.78	-
	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	1,218,149.57	181,149.57
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	1,050,000.00	600,000.00
	China Shipbuilding Technology Institute	1,040,800.00	-
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	989,739.11	1,971,436.86
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	932,884.80	911,850.50
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	738,287.65	405,440.00
	Marinequip China Company Limited	731,328.44	-
	Shanghai Merchant Vessel Design and Research Institute	479,000.00	3,527,500.00
	Haifeng Navigation Technology Co., Ltd.	363,000.00	363,000.00
	Shanghai Starry ship Ocean Engineering Service Co., Ltd.	361,538.46	179,487.18
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	298,753.51	58,000.00
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	260,000.00	260,000.00
	Jiujiang CSSC Chang'an Fire Equipment Manufacture Co., Ltd.	252,800.00	572,000.00
	Jiangxi CSSC Navigation Instrument Co., Ltd.	234,000.00	-
	Shanghai CSSC Fire Protection Engineering Technology Co., Ltd.	205,932.00	-
	Jiujiang Precision Testing Technology Research Institute	165,227.40	-
	CSSC Electronic Technology Co., Ltd.	160,000.00	280,000.00
	Anqing Marine Electric Co., Ltd.	117,854.70	49,000.00
	China Shipbuilding Trading Co., Ltd.	104,626.37	766,125.90

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From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

Name of item	Related party	Ending balance	Beginning balance
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	81,581.95	404,404.52
	CSSC Materials Engineering Co., Ltd.	80,000.00	35,200.00
	CSSC Finance Company Limited	33,000.00	83,000.00
	Technician Training School of Guangzhou Huangpu Shipyard	25,000.00	-
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	China State Shipbuilding Corporation	9,141.20	-
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.		39,107,036.00
	Guangzhou Shipyard Shipping Co., Ltd.		11,200,000.00
	China State Shipbuilding Steel Structure Engineering Company Limited		8,650,000.00
	Haiying Enterprises Group Co., Ltd.		7,190,000.00
	TTS Hua Hai Ships Equipment Co., Ltd.		5,020,777.66
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.		1,977,076.21
	China State Shipbuilding Corporation No. 11 Research Institute		1,766,700.00
	Beijing Leiying Electronic Technology Development Co., Ltd.		1,191,200.00
	Shanghai Shenbo Information System Engineering Co., Ltd.		188,000.00
	Shanghai Jiangnan Ship Pipe Industry Co., Ltd.		160,606.88
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.		131,794.89
	CSSC Guijiang Shipbuilding Co., Ltd.		49,900.00
	Sub-total of accounts payable	1,318,864,744.67	1,519,656,834.46
Advances from customers			
	Guangzhou Wenchong Dockyard Co., Ltd.	68,243,689.42	76,508,714.95
	China Shipbuilding Trading Co., Ltd.	36,260,000.00	
	China State Shipbuilding Steel Structure Engineering Company Limited	7,527,935.63	
	Design and Research Institute of China Shipbuilding and Marine Engineering	3,200,000.00	
	Shanghai Haixun Electrical Engineering Co., Ltd.	1,923,076.92	
	China Shipbuilding Technology Institute	837,735.85	235,849.06
	CSSC Guijiang Shipbuilding Co., Ltd.	50,670.75	
	Guangzhou Shipyard Co., Ltd.	10,820.00	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	10,000.00	10,000.00
	Hong Kong Huachang Ship Co., Ltd.		662,952.30
	Guangzhou Shipyard Industrial Co., Ltd.		18,000.00
	Sub-total of advances from customers	118,063,928.57	77,435,516.31
Other payables			
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	4,908,147.52	8,616,403.15
	China State Shipbuilding Corporation	2,865,188.68	
	CSSC Financial Leasing (Shanghai) Co., Ltd.	592,202.69	
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	540,000.00	
	Hualian Ship Co., Ltd.	469,396.39	469,396.39
	Guangzhou Shipyard Co., Ltd.	2,825.96	2,825.96
	CSSC Chengxi Shipbuilding Co., Ltd.	862.00	59,970.00
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	500.00	
	Workers' Hospital of Guangzhou Huangpu Shipyard	400.00	
	Beijing Shipbuilding Information Technology Co., Ltd.		20,000.00
	Shanghai Dongxin Software Engineering Co., Ltd.		125,000.00
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.		172,804.00
	CSSC Marine Power Co. Ltd.		132,512.82
	Sub-total of other payables	9,379,523.24	9,598,912.32
	Total	2,759,938,083.99	2,958,484,197.29

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From 1 January 2016 to 31 December 2016
(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

2. Balance of related party transactions between the Company and its subsidiaries

(1) Receivables

Name of item	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	6,872,113.93		46,046,620.35	
	Guangzhou Shipyard International Marine Engineering Co., Ltd.			43,732,390.62	
	Guangzhou Shipyard International Company Limited	17,296,186.41		30,222,080.60	
	Guangzhou United Steel Structures Limited			14,847,030.61	
	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.			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	24,168,300.34		240,231,252.79	
Prepayments					
	Zhongshan GSI Marine Engineering Company Limited	14,759,260.52		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	15,459,260.52		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	705,022.04		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	257,201.38		151,083.33	
	Sub-total of other receivables	962,223.42		3,443,322,512.60	
	Total	40,589,784.28		3,713,352,303.59	

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(2) Payables

Name of item	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 Longxue Pipe Co., Ltd.		232,320.00
	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	9,336,919.60	16,372.57
	Guangzhou United Steel Structures Limited	15,769,088.18	15,769,088.18
	Guangzhou Shipyard International Company Limited	15,866,269.99	373,796.61
	Zhongshan GSI Marine Engineering Company Limited	1,480,000.00	3,800,000.00
Sub-total of accounts payable		52,884,630.60	32,045,826.00
Other payables			
	Guangzhou Hongfan Hotel Co., Ltd.		5,980.00
	Guangzhou Shipyard HR Service Co., Ltd.	46.00	
	Guangzhou Shipyard International Company Limited	20,455,349.84	4,588,546.75
Sub-total of other payables		20,455,395.84	4,594,526.75
Total		73,340,026.44	36,640,352.75

(v) Remuneration of Directors, Supervisors and employees

1. Details of the remuneration of Directors and Supervisors are as follows

Item	Fees of Directors and Supervisors	Salaries, bonus and allowances	Retirement benefit plan contributions	Total
Current year				
Executive Directors				
Han Guangde		1,007,199.88	28,379.70	1,035,579.58
Chen Zhongqian		904,184.70	57,995.70	962,180.40
Chen Liping (24 March to 31 December)		642,234.11	21,648.60	663,882.71
Xiang Huiming		894,662.70	57,995.70	952,658.40
Chen Ji (10 August to 31 December)		355,284.94	12,431.25	367,716.19
Zhou Dusheng (1 January to 24 June)		488,780.78	2,243.70	491,024.48
Supervisors				
Wu Guangjun (August to December)				0.00
Ou Guangquan (January to May)				0.00
Fu Xiaosi	90,000			90,000
Zhu Zhengfu	90,000			90,000
Chen Shaolong		436,522.68	28,379.70	464,902.38
Ding Qianfang		21,908.13	2,486.25	24,394.38
Qin Tinggui		540,390.75	25,893.45	566,284.20
Non-executive Directors				
Yang Li				0.00
Wang Guozhong				0.00
Song Dejin	200,000			200,000
Zhu Mingyou				0.00
Wang Yichu	200,000			200,000
Min Weiguo	200,000			200,000
Total	780,000.00	5,291,168.67	237,454.05	6,308,622.72

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Item	Fees of Directors and Supervisors	Salaries, bonus and allowances	Retirement benefit plan contributions	Total
Last year				
Directors				
Han Guangde		873,939.20	25,525.80	899,465.00
Chen Zhongqian (January to April)				0.00
Chen Zhongqian (May to December)		487,182.00	34,285.00	521,467.00
Xiang Huiming (May to December)		483,947.00	34,285.00	518,232.00
Zhou Dusheng		872,009.20	25,525.80	897,535.00
Yang Li				0.00
Wang Guozhong				0.00
Wang Jun				0.00
Song Dejin	171,860.00			171,860.00
Zhu Mingyou				0.00
Wang Yichu (November to December)	31,236.00			31,236.00
Min Weiguo (November to December)	31,236.00			31,236.00
Li Junping (January to March)	41,656.00			41,656.00
Zhu Zhenyu (January to November)	141,172.00			141,172.00
Liu Huaijing (May to July)				0.00
Chen Ji (January to March)		122,421.20	6,031.80	128,453.00
Chen Liping (January to May)		122,421.20	6,031.80	128,453.00
Supervisors				
Ou Guangquan				0.00
Fu Xiaosi	90,000.00			90,000.00
Zhu Zhengfu	90,000.00			90,000.00
Chen Shaolong		526,454.20	25,525.80	551,980.00
Qin Tinggui		635,660.20	25,525.80	661,186.00
Chen Jingqi		152,733.40	2,010.60	154,744.00
Total	597,160.00	4,276,767.60	184,747.40	5,058,675.00

Note 1: On 10 August 2016, Mr. Chen Liping and Mr. Chen Ji were elected Directors, and Mr. Wu Guangjun was elected chairman of the Supervisory Committee of the Company at the first extraordinary general meeting of the Company for 2016. Mr. Zhou Dusheng, executive Director, resigned as Director due to age; Mr. Wang Jun, non-executive Director resigned as Director due to work; Mr. Ou Guangquan resigned as chairman of the Supervisory Committee of the Company due to work.

Note 2: On 15 December 2016, the Company received a notice from the labour union of the Company that the second staff meeting of the Company for 2016 was held, at which Ms. Ding Qianfang was elected as a supervisor representing employees of the Company, and Mr. Qin Tinggui, a supervisor representing employees, had resigned as a supervisor of the Company due to work.

2. Five highest paid individuals

Of the five highest paid individuals for the year, four are Directors (Last year: three Directors and one Supervisor). The remuneration of Directors and Supervisors were set out in the Note XI.(V)(1). The remuneration of the other one (Last year: one) individual was as follows:

Item	Current year	Last year
Salaries, bonus and allowances	793,960.70	727,460.10
Retirement benefit plan contributions	28,379.70	40,425.90
Total	822,340.400	767,886.00

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Band of remuneration:

Item	Current year	Last year
Less than HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$1,500,001 to HK\$2,000,000		
HK\$2,000,001 to HK\$2,500,000		

3. During the track record period, no director other than Zhu Mingyou had waived or agreed to waive any remuneration. During the year, no emoluments were paid by the Company to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

4. **Key management compensation**

Key management compensation, including those paid or payable to Directors, Supervisors and senior management, is as follows:

Item	Current year	Last year
Salaries, bonus and allowances	7,598,116.88	6,739,466.00
Retirement benefit plan contributions	297,848.70	318,263.00
Total	7,895,965.58	7,057,729.00

(vi) **Amount due from directors/affiliates of directors**

1. Amount of the Company due from directors/affiliates of directors:
As at 31 December 2016, the Group had no amount due from directors/affiliates of directors.
2. Amount due from directors/affiliates of directors for which the Company has provided guarantee:
As at 31 December 2016, the Group had no amount due from directors/affiliates of directors for which the Company has provided guarantee.

XII. SHARE-BASED PAYMENTS

As at the end of the year, the Group had no share-based payments.

XIII. CONTINGENCIES

1. **Contingent liabilities arising from pending litigations or arbitrations**

- (1) On 18 November 2013, Huangpu Wenchong, a wholly-owned subsidiary of the Company, entered into contracts for construction of four 64,000-ton bulk carriers (with ship numbers of H3067, H3068, H3069 and H3070) for four ship subsidiaries of KC Maritime Limited ("KCM").

As there were disputes in relation to the delivery of two ships being H3067 and H3068, Huangpu Wenchong filed arbitrations with London Maritime Arbitrators Association on 29 January 2016 and 14 June 2016 respectively and the owners of these ships also issued counter-claims with value of approximately US\$19 million and interest. As at 31 December 2016, the cases were still in the process of trial.

The owners of the two ships being H3069 and H3070 and their guarantor, being KCM, failed to make payment for the second, third and fourth installments as agreed under the contracts, Huangpu Wenchong issued notices to the ship owners respectively to terminate the contracts and suspended the construction of H3070 on 15 January 2016. Currently Huangpu Wenchong is requesting the guarantor to perform its guarantee obligation amounting to US\$13 million in accordance with legal procedures and the relevant requirements.

As at 31 December 2016, the cases were still in the process of trial.

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- (2) On 31 December 2010, the Company and Guangli filed four lawsuits to the Immediate People's Court of Zhenjiang, Jiangsu Province. The Company sued Jiangsu Shenghua Shipbuilding Co. Ltd ("Jiangsu Shenghua") for payment, had a dispute on a technical service contract and 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 30 July 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, 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. As at the end of 2016, the liquidation of Jiangsu Shenghua was still in process.

- (3) GSI, a subsidiary of the Company, and Guangzhou CSSC Longxue Construction Development Co., Ltd. ("Longxue Construction") required that Shandong Qingyun Crane Machinery Co., Ltd. and Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall repay a loan of RMB44.4965 million and accrued interest (from 29 July 2009 to the effectiveness of the verdict; calculated in accordance with the lending rates of People's Bank of China over the same period) to Longxue Shipbuilding and Guangzhou CSSC; that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall continue to fulfill their delivery obligations for the 9 cranes under the contract already shipped to Longxue Island, Nansha District, Guangzhou; and that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall bear the cost of this litigation of RMB283,696 and the property preservation fees of RMB5,000. Jinan Intermediate People's Court made a judgment for Longxue Shipbuilding 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.

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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 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 the Company as ruled by the court) at RMB98,000 at local sites by inviting bids, which has been received by GSI.

As decided at an office meeting of GSI held on 4 July 2016, the investigation into the land and property for settlement of debts in Qinyun case in preparation for listing was carried out. On 1 August 2016, the land and property located in Qinghe County became listed on Shanghai Assets and Equity Exchange.

- (4) The case of contractual dispute between Pipe Company, a subsidiary of the Company, and Guangzhou Electromechanical Equipment Co., Ltd. ("Huayu Company") was finally ruled by Guangzhou Intermediate People's Court on 13 October 2014. According to the ruling, Huayu was required to pay Pipe Company RMB4,953,239.77 and overdue interests as well as the liquidated damages while Pipe Company was required to pay Huayu Company the processing fee of RMB300,976.74. After the set-off, Huayu Company still had to pay Pipe Company RMB4,652,263.03. At present, Pipe Company has engaged lawyers to seek for enforceable properties of Huayu Company.
- (5) Wenchong Shipyard, a subsidiary of the Company, 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.
- (6) On 17 June 2015, Wenchong Shipyard, as the builder, Fortune Shanghai Shipping Limited ("FSSL", a wholly-owned subsidiary of CSSC HK), as the vendor, and Attalos Container Carrier S.A., as the purchaser, entered into a memorandum of understanding in relation to the resale of a 1,700-container container ship (with ship model of GWS486).

As there were disputes among the parties in relation to the delivery of GWS486, on 18 December 2015, Attalos, the ship owner, issued a notice of arbitration to Wenchong Shipyard and FSSL on the ground that the conditions are not ready for delivery. On 4 January 2016, Attalos, the ship owner, also issued a notice of agreement termination to Wenchong Shipyard and FSSL, requesting for the cancellation of the agreement and refund of ship deposit of US\$2.6 million and the relevant interest and other expenses.

Wenchong Shipyard hired lawyers to deal with the arbitration initiated by the shipowner. On 6 January 2016, each of Wenchong Shipyard and FSSL issued a notice to terminate the resale agreement to Attalos, the ship owner.

As at 31 December 2016, Attalos, as the arbitration applicant, did not proceed to the arbitration case.

2. **Except for the contingencies mentioned above, there was no other significant contingency within the Group at 31 December 2016.**

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XIV. COMMITMENTS

1. Significant commitments

1) Pledge of assets

As at the end of the Group, save for pledged fixed bank deposit, no other assets of the Group were pledged.

2) Undue guarantee and letter of credits

As at the end of the year, the Group's issued but undue guarantees were:

Type of guarantee	RMB	US\$
Performance guarantee	447,476,629.00	5,135,136.70
Advancement payment guarantee	822,898,088.00	1,435,003,203.49
Warranty guarantee	128,418,691.20	365,000.00
Customs duties guarantee	41,620,078.47	
Other non-financing letters of guarantee	56,640,000.00	
Tender bond	3,800,000.00	
Total	1,500,853,486.67	1,440,503,340.19

As at the end of the year, the Group's issued but undue letter of credits amounted to US\$37,463,973.34 and EUR58,776,244.15.

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 year.

XV. EVENTS AFTER BALANCE SHEET DATE

1. Profit distribution

In accordance with a resolution passed at the Board meeting on 31 March 2017 and based on the total share capital of the Company as at 31 December 2016 of 1,413,506,378 shares, cash bonus of RMB0.16 (inclusive of tax) for every 10 shares is proposed for distribution to all shareholders, totalling RMB22,616,102.05 (inclusive of tax). The remaining undistributed profit will be carried forward to next year. This profit distribution proposal is subject to the approval at the 2016 annual general meeting.

2. Save for the aforesaid disclosure of subsequent events, the Group had no other events after balance sheet date.

XVI. OTHER SIGNIFICANT EVENTS

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; 4.05% 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 RMB3,033,708,080.84 to GSI and increased its long-term equity investment in GSI.

2. Establishment of CSSC Huangpu Wenchong (Sanya) Ship Technology Co., Ltd.

On 2 December 2016, Huangpu Wenchong established CSSC Huangpu Wenchong (Sanya) Ship Technology Co., Ltd. in Sanya, Hainan, with a registered capital of RMB8 million and place of registration of Sanya, Hainan Province. In accordance with a resolution passed at the 12th meeting of the first session of its board of directors held on 2 November 2016. Its scope of business mainly includes research and development, design, manufacturing and maintenance of ships, metal structure manufacturing and engineering and technical advisory services. Huangpu Wenchong made capital contribution of RMB8 million in cash, holding its 100% equity interest. As at 31 December 2016, Huangpu Wenchong had not made capital contribution yet.

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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

(1) Basis for determination of reportable segments and accounting policies

According to the Group's internal organizational 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.

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.

(2) Financial Information of reportable segments for the year

a. Profit before tax and assets and liabilities for segments by product or business

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	21,793,201,107.30	1,593,522,109.34	2,386,896,713.73	-2,424,015,032.68	23,349,604,897.69
Including: Revenue from external transactions	21,596,324,724.94	1,159,439,265.32	593,840,907.43	-	23,349,604,897.69
Revenue from intra-segment transactions	196,876,382.36	434,082,844.02	1,793,055,806.30	-2,424,015,032.68	-
Operating costs	20,419,637,421.42	1,467,197,221.61	2,264,571,683.39	-2,437,698,313.25	21,713,708,013.17
Period charge	1,340,088,340.74	35,423,474.52	124,858,326.33	-6,012,849.58	1,494,357,292.01
Segment total profit (total loss)	53,437,797.53	91,614,105.17	-12,607,520.37	-13,009,573.03	119,434,809.30
Total assets	45,828,557,484.36	980,018,264.36	3,236,475,522.29	-3,776,465,441.38	46,268,585,829.63
Including: Significant impairment loss of individual asset	-	-	-	-	-
Total liabilities	35,972,215,497.64	661,521,652.87	1,107,160,598.03	-1,883,111,363.60	35,857,786,384.94
Supplementary information	-	-	-	-	-
Capital Expenditure	3,207,643,510.81	1,709,928.39	65,483,514.16	-167,124,121.54	3,107,712,831.82
Impairment loss recognised during current period	215,649,898.77	588,053.05	-7,408,610.14	-	208,829,341.68
Including: Allocation for impairment of goodwill	-	-	-	-	-
Depreciation and amortisation expense	615,918,256.36	5,830,437.61	118,118,067.23	-7,359,942.81	732,506,818.39
Non-cash expenses other than loss of impairment, depreciation and amortisation	-	-	379,465.07	-	379,465.07

Last year

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	29,198,547,596.05	1,471,408,365.51	2,747,816,147.12	-7,898,532,337.26	25,519,239,791.42
Including: Revenue from external transactions	23,866,148,847.21	997,984,902.21	655,106,042.00	-	25,519,239,791.42
Revenue from intra-segment transactions	5,600,304,696.60	205,517,535.54	2,092,710,105.12	-7,898,532,337.26	-
Operating costs	29,048,506,488.10	1,675,221,303.32	1,730,097,027.54	-7,632,666,447.12	24,821,158,371.84
Period charge	1,677,848,516.65	39,109,324.49	287,622,167.31	22,035,607.13	2,026,615,615.58
Segment total profit (total loss)	626,324,614.02	7,730,665.41	-95,802,091.59	-68,541,370.19	469,711,817.65
Total assets	65,369,643,829.79	1,127,844,082.85	2,220,333,084.18	-19,721,866,691.61	48,995,954,305.21
Including: Significant impairment loss of individual asset	-	-	-	-	-
Total liabilities	50,440,555,478.31	886,060,647.82	538,141,435.50	-13,237,460,369.91	38,627,297,191.72
Supplementary information	-	-	-	-	-
Capital Expenditure	479,557,032.99	9,644,273.51	3,345,569.86	-	492,546,876.36
Impairment loss recognised during current period	559,699,118.54	24,799,101.43	838,436.96	-194,053,202.79	391,283,454.14
Including: Allocation for impairment of goodwill	-	-	-	-	-
Depreciation and amortisation expense	702,076,796.13	4,737,834.91	54,664,976.08	-37,727,102.94	723,752,504.18
Non-cash expenses other than loss of impairment, depreciation and amortisation	-	-	-	-	-

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b. Revenue from external transactions by origin of revenue

Item	Current year	Last year
Revenue from external transactions derived from China	22,854,313,824.52	24,805,259,700.17
Revenue from external transactions derived from other countries	495,291,073.17	713,980,091.25
Total	23,349,604,897.69	25,519,239,791.42

c. Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China	13,605,531,080.32	13,351,125,602.41
Non-current assets within other countries	14,829,188.42	15,220,068.43
Total	13,620,360,268.74	13,366,345,670.84

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

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

1. Cash at bank and on hand

Items	Ending Balance	Beginning Balance
Cash	1,645.27	42,887.07
Bank deposits	88,026,589.25	2,724,089,083.49
Other cash at bank and on hand	30,000,000.00	1,001,695,055.43
Total	118,028,234.52	3,725,827,025.99
Including: Total amount deposited overseas		

Note: Other cash at bank and on hand of the Company as at the end of the year included credit card deposit of RMB0.00 (beginning balance: RMB55,055.43), fixed deposit of RMB30,000,000.00 (Beginning balance: RMB0.00) and pledged amount of RMB0.00 (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		1,597,147.55
Including: Forward exchange contracts		1,597,147.55
Total		1,597,147.55

Note: Forward exchange contracts had been delivered during the year.

3. Notes receivable

Types of notes	Ending balance	Beginning balance
Bank acceptance notes	1,949,644.23	311,119.00
Total	1,949,644.23	311,119.00

The ageing of these notes receivable of the Company as at the end of the year were all 91 days to 180 days.

4. Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	45,420,827.13	693,831,252.27
Less: Provision for bad debts	5,381,478.78	16,363,024.32
Net amount	40,039,348.35	677,468,227.95

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(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	Accounts receivable	Ending balance of provision for bad debts	Percentage (%)
Within one year	24,509,088.84	18,251.33	0.07
1-2 years	6,021,170.60	4,246,439.85	70.53
2-3 years	3,549,675.51	14,212.26	0.40
3-4 years	3,155,680.27	703,800.61	22.30
4-5 years	2,250,253.92	98,000.00	4.36
Over 5 years	5,934,957.99	300,774.73	5.07
Total	45,420,827.13	5,381,478.78	11.85

(Continued)

Ageing	Accounts receivable	Beginning balance of provision for bad debts	Percentage (%)
Within one year	569,300,007.69	6,076,049.22	1.07
1-2 years	11,120,311.19	110,714.67	1.00
2-3 years	97,973,412.51	227,422.14	0.23
3-4 years	9,164,074.13	9,122,825.91	99.55
4-5 years	1,797,907.50	174,667.00	9.72
Over 5 years	4,475,539.25	651,345.38	14.55
Total	693,831,252.27	16,363,024.32	2.36

(3) Classification of accounts receivable by risk

Items	Ending Balance					Beginning Balance				
	Book value		Provision for bad debts		Net amount	Book value		Provision for bad debts		Net amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision have been made on an individual basis										
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	40,119,102.36	88.33	79,754.01	0.20	40,039,348.35	679,665,398.69	97.96	2,197,170.74	0.32	677,468,227.95
Accounts receivable that are individually insignificant but for which bad debt provision have been made on an individual basis	5,301,724.77	11.67	5,301,724.77	100.00	-	14,165,853.58	2.04	14,165,853.58	100.00	-
Total	45,420,827.13	-	5,381,478.78	-	40,039,348.35	693,831,252.27	-	16,363,024.32	-	677,468,227.95

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- 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 year

Name	Book value	Amount of bad debts	Percentage (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,237,521.60	4,237,521.60	100.00	Expected to be unable to recover
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Expected to be unable to recover
Zhenhua Gulf Engineering Co. Ltd.	72,158.73	72,158.73	100.00	Expected to be unable to recover
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Expected to be unable to recover
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Expected to be unable to recover
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Expected to be unable to recover
Hefei Haier Refrigerator Co., Ltd.	32,600.00	32,600.00	100.00	Expected to be unable to recover
Hefei Rongshida Refrigerator Co., Ltd.	14,565.60	14,565.60	100.00	Expected to be unable to recover
Guangzhou Merro Steel Grating Co., Ltd.	35,000.00	35,000.00	100.00	Expected to be unable to recover
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	5,301,724.77	5,301,724.77	100.00	

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

Name of portfolio	Book value	Amount of bad debts	Percentage (%)
Within one year	2,958,786.15	14,793.93	0.50
1-2 years	1,783,650.23	8,918.25	0.50
2-3 years	2,842,452.78	14,212.26	0.50
3-4 years	2,284,202.31	11,421.01	0.50
4-5 years	346,509.17	1,732.55	0.50
Over 5 years	5,735,201.38	28,676.01	0.50
Total	15,950,802.02	79,754.01	-

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

Name of portfolio	Book value as at the end of the year	Provision for bad debts	Net amount
Receivables from subsidiaries	24,168,300.34	0.00	24,168,300.34
Total	24,168,300.34	-	24,168,300.34

(4) Provision for bad debts made, reversed (or recovered) during the year

Provision for bad debts made during the year amounted to RMB868,571.47; provision for bad debts released or reversed during the year amounted to RMB9,693,385.10.

Significant provision for bad debts recovered or reversed during the year:

Name	Amount reversed during the year	Recovery method	Reason for reversal during the year
THYSSENKRUPP MATERIALS HANDLING	9,658,385.10	Please refer to Note VI.4(6) for details	Please refer to Note VI.4(6) for details
Guangzhou Merro Steel Grating Co., Ltd.	35,000.00	Cash receipts	Loan recovery
Total	9,693,385.10	-	-

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(5) *There were no accounts receivable written-off during the year*

(6) *Top five accounts receivable by ending balance of debtors*

Name	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of bad debts
Guangzhou Shipyard International Company Limited	17,296,186.41	Within one year	38.08	
Zhongshan GSI Marine Engineering Company Limited	6,872,113.93	2-3 years	15.13	
TENOVA AUSTRALIA PTY LTD	4,237,521.60	1-2 years	9.33	4,237,521.60
Fifth Construction Engineering Company of China Construction Sixth Engineering Division Corporation Limited	3,758,836.92	1-2 years	8.28	18,794.18
Guangdong Changhong Highway Engineering Co. Ltd.	2,351,054.00	1-2 years	5.18	11,755.27
Total	34,515,712.86		76.00	4,268,071.05

5. Prepayments

(1) *Ageing of prepayments*

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	5,724,270.16	36.11	3,153,759,488.93	97.83
1-2 years	10,128,968.20	63.89	47,216,604.28	1.46
2-3 years			778,675.45	0.02
Over 3 years			21,897,735.24	0.68
Total	15,853,238.36	-	3,223,652,503.90	-

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

Name of item	Relationship with the Company	Amount	Percentage of prepayments (%)	Ageing	Reason for unsettlement
Zhongshan GSI Marine Engineering Company Limited	Subsidiary	9,461,738.20	59.68	One to two years	Not completed
Total		9,461,738.20			

(3) *Top five prepayments by supplier based on ending balance*

Name	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
Zhongshan GSI Marine Engineering Company Limited	14,759,260.52	0-2 years	92.91
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd	700,000.00	1-2 years	4.41
Nanjing Estun Automation Co., Ltd.	61,000.00	Within one year	0.38
Kekong Industrial Automation Equipment (Shanghai) Co., Ltd.	55,000.00	Within one year	0.35
Hoerbiger (Wuxi) Automation Technology Co., Ltd.	52,400.00	1-2 years	0.33
Total	15,627,660.52	-	98.38

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6. Interest receivable

Items	Ending Balance	Beginning Balance
Term deposits	270,183.33	68,972,014.68
Entrusted loans		30,219.75
Total	270,183.33	69,002,234.43

7. Dividends receivable

Investee	Ending balance	Beginning balance
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 item	Ending balance	Beginning balance
Other receivables	1,862,155.44	3,486,883,958.28
Less: Provision for bad debts	4,499.66	10,612,150.21
Net amount	1,857,655.78	3,476,271,808.07

(1) Ageing analysis of other receivables

Item	Ending Balance				Beginning Balance					
	Carrying amount	Proportion (%)	Provision for bad debts	Proportion (%)	Net amount	Carrying amount	Proportion (%)	Provision for bad debts	Proportion (%)	Net amount
Within one year	1,591,175.74	85.45	3,144.76	0.20	1,588,030.98	3,199,096,025.44	91.75	209,348.73	0.01	3,198,886,676.71
1-2 years	270,979.70	14.55	1,354.90	0.50	269,624.80	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	1,862,155.44	-	4,499.66	0.24	1,857,655.78	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	Provision proportion (%)		Amount	Percentage (%)	Amount	Provision proportion (%)	
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	100.00	
Other receivables subject to collective provision for bad debts based on credit risk features	1,862,155.44	100.00	4,499.66	0.24	1,857,655.78	3,476,486,126.13	99.70	214,318.06	0.01	3,476,271,808.07
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	100.00	
Total	1,862,155.44	-	4,499.66	-	1,857,655.78	3,486,883,958.28	-	10,612,150.21	-	3,476,271,808.07

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

Ageing	Other receivables	Ending balance Provision for bad debts	Percentage (%)
Within one year	628,952.32	3,144.76	0.50
1-2 years	270,979.70	1,354.90	0.50
Total	899,932.02	4,499.66	-

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

Name of portfolio	Other receivables	Ending balance Provision for bad debts	Percentage (%)
Receivables from subsidiaries	962,223.42		
Total	962,223.42		-

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

Provision for bad debts made during the year amounted to RMB-139,134.61; there was no provision for bad debts recovered or reversed during the year.

(4) Classification of other receivables by nature

Nature	Book value as at the end of the year	Book value as at the beginning of the year
Refundable deposits	10,440.00	544,066.04
Temporary payments receivable	596,500.00	95,915,857.52
Grants receivable		22,554,630.41
Reserve funds	141,992.70	2,375,237.30
Production reserve of subsidiaries		3,000,000,000.00
Entrusted loans		365,000,000.00
Other current account	1,113,222.74	494,167.01
Total	1,862,155.44	3,486,883,958.28

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(5) **Top five other receivables by debtor as at the end of the year:**

Name	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Provision for bad debts Ending balance
Guangzhou Shipyard International Company Limited	Current account	705,592.53	Within one year	37.89	0.00
Zhongshan Marinotec Development Co., Ltd.	Deposit	265,000.00	1-2 years	14.23	1,325.00
CSSC Huangpu Wenchong Shipbuilding Company Limited	Current account	257,201.38	Within one year	13.81	0.00
Airport office of Guangdong Lifeng Customs Declaration Co., Ltd.	Current account	10,297.75	1-2 years	0.55	51.49
DHL-Sinotrans Guangdong Branch	Current account	767.00	1-2 years	0.04	3.84
Total	-	1,238,858.66	-	66.52	1,380.33

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	7,776,306.29		7,776,306.29	754,730,446.93	8,936,127.17	745,794,319.76
Works in progress	142,094,975.34	21,604,464.12	120,490,511.22	214,890,610.40	20,301,131.11	194,589,479.29
Finished goods	11,193,235.26	15,951.95	11,177,283.31	22,413,112.97	15,951.95	22,397,161.02
Completed and unsettled assets arising from construction contracts				3,783,166,182.74	699,397,104.84	3,083,769,077.90
Goods in transit	6,053,793.99		6,053,793.99	3,798,975.06		3,798,975.06
Total	167,118,310.88	21,620,416.07	145,497,894.81	4,778,999,328.10	728,650,315.07	4,050,349,013.03

(2) **Provision for decline in value of inventories**

Item	Beginning balance	Increase for the year		Decrease for the year		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	1,948,291.32			644,958.31	21,604,464.12
Finished goods	15,951.95					15,951.95
Completed and unsettled assets arising from construction contracts	816,469,963.04			62,890,819.84	753,579,143.20	
Including: Capitalized construction contracts (under inventories)	699,397,104.84	-	-	-	-	
Capitalized construction contracts (under estimated liabilities)	117,072,858.20	-	-	-	-	
Subtotal	845,723,173.27	1,948,291.32		62,890,819.84	763,160,228.68	21,620,416.07
Less: Capitalized construction contracts (under estimated liabilities)	117,072,858.20	-	-	-	-	
Total	728,650,315.07	-	-	-	-	21,620,416.07

Description: Other decrease was due to the transfer of assets by the Company to Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company.

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(3) Provision for decline in value of inventories made

Item	Basis for determination of net realisable value	Reason for reversal (or release) during the year
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

10. Other current assets

Item	Ending balance	Beginning balance	Nature
Value-added input tax credit	22,772,600.20		
Total	22,772,600.20		

11. 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 Measured at cost				1,000,000.00		1,000,000.00
Total				1,000,000.00		1,000,000.00

12. Long-term receivables

Item	Ending balance		Beginning balance	
	Balance	Provision for bad debts	Balance	Provision for bad debts
Loans to subsidiaries	600,000,000.00		667,500,000.00	
Total	600,000,000.00		667,500,000.00	

13. 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	8,535,717,482.56	8,535,717,482.56		6,202,009,401.72		6,202,009,401.72
Investments in associates				1,069,326.86		1,069,326.86
Total	8,535,717,482.56	8,535,717,482.56		6,203,078,728.58		6,203,078,728.58

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(2) Investments in subsidiaries

Investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Provision for impairment made during the year	Ending balance of provision for impairment
Guangzhou Shipyard International Company Limited	1,027,707,121.26	3,033,708,080.84		4,061,415,202.10		
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	3,033,708,080.84	700,000,000.00	8,535,717,482.56		

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

(3) Investments in associates

Investee	Beginning balance	Additional investment	Decrease in investment	Change for the year					Others	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											
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	1,069,326.86								-1,069,326.86	0.00	
Total	1,069,326.86								1,069,326.86	0.00	

(4) Analysis of long-term equity investments

Items	Ending Balance	Beginning Balance
Listed		
Unlisted	8,535,717,482.56	6,203,078,728.58
Total	8,535,717,482.56	6,203,078,728.58

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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 for the year		
3. Decrease for the year		
(1) Assets transfer	29,171,739.00	29,171,739.00
4. Ending balance		
II. Accumulated depreciation and accumulated amortisation		
1. Beginning balance	5,662,951.00	5,662,951.00
2. Increase for the year		
3. Decrease for the year		
(1) Assets transfer	5,662,951.00	5,662,951.00
4. Ending balance		
III. Provision for impairment		
1. Beginning balance		
2. Increase for the year		
3. Decrease for the year		
4. Ending balance		
IV. Carrying amount		
1. Ending carrying amount		
2. Beginning carrying amount	23,508,788.00	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	174,784,020.17	977,415,473.59	34,940,501.92	23,907,045.18	1,211,047,040.86
2. Increase for the year			952,905.14	197,560.27	1,150,465.41
(1) Purchase			952,905.14	197,560.27	1,150,465.41
3. Decrease for the year	43,177,751.85	894,547,892.87	32,632,922.32	23,480,903.60	993,839,470.64
(1) Disposal or retirement		827,963.09			827,963.09
(2) 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	82,867,580.72	3,260,484.74	623,701.85	218,358,035.63
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 for the year	3,751,507.23	2,659,594.28	829,485.08	98,534.09	7,339,120.68
(1) Provision made	3,751,507.23	2,659,594.28	829,485.08	98,534.09	7,339,120.68
3. Decrease for the year	11,335,360.52	641,298,108.19	15,376,164.93	16,916,978.86	684,926,612.50
(1) Disposal or retirement		796,830.77			796,830.77
(2) 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	72,719,548.78	63,216,945.36	2,514,996.94	285,067.54	138,736,558.62
III. Provision for impairment					
1. Beginning balance					
2. Increase for the year					
3. Decrease for the year					
4. Ending balance					
IV. Carrying amount					
1. Ending carrying amount	58,886,719.54	19,650,635.36	745,487.80	338,634.31	79,621,477.01
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 and amortisation of fixed assets recognised in profit or loss during the year is RMB7,339,120.68 (Last year: RMB52,952,377.16).

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

Items	Ending Balance	Beginning Balance
Within China Medium term (10-50 years)	58,886,719.54	94,480,618.10
Total	58,886,719.54	94,480,618.10

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
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 year, please refer to Note XVI.1 "Assets transfer".

17. **Disposal of fixed assets**

Items	Ending Balance	Beginning Balance
Relocation expenses to be written off	2,436,726.74	
Machinery and equipment	31,132.31	
Total	2,467,859.05	

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18. 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 for the year				
(1) Additions				
3. Decrease for the year		65,309,896.41	2,359,259.00	67,669,155.41
(1) Disposal				
(2) Assets transfer				
4. Ending balance	14,780,508.50	65,309,896.41	2,359,259.00	67,669,155.41
II. Accumulated amortisation				
1. Beginning balance	3,340,099.88	57,796,353.60		61,136,453.48
2. Increase for the year	325,075.44			325,075.44
(1) Provision made	325,075.44			325,075.44
3. Decrease for the year		57,796,353.60		57,796,353.60
(1) Disposal				
(2) Assets transfer				
4. Ending balance	3,665,175.32	57,796,353.60		57,796,353.60
III. Provision for impairment				
1. Beginning balance				
2. Increase for the year				
3. Decrease for the year				
4. Ending balance				
IV. Carrying amount				
1. Ending carrying amount	11,115,333.18			11,115,333.18
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 year.

Land use rights analyzed by region and term:

Items	Ending Balance	Beginning Balance
Within China		
Medium term (10-50 years)	11,115,333.18	11,440,408.62
Total	11,115,333.18	11,440,408.62

The amortisation of intangible assets recognised in profit or loss during the year is RMB325,075.44 (Last year: RMB5,178,517.42).

19. Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortization for the year	Other decreases for the year	Ending balance
Improvement in leased fixed assets	9,979,282.35		340,661.83	9,294,953.32	343,667.20
Dining hall complex modification	1,807,808.52			1,807,808.52	
Renovation of ventilation and air-conditioning system of technical center building	368,148.34			368,148.34	
Total	12,155,239.21		340,661.83	11,470,910.18	343,667.20

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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
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	31,549,660.98	1,230,621,721.51
Deductible tax loss	465,631,059.57	388,911,077.30
Total	497,180,720.55	1,619,532,798.81

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

Year	Ending balance	Beginning balance	Remarks
2020	388,911,077.30	388,911,077.30	
2021	76,719,982.27		
Total	465,631,059.57	388,911,077.30	

21. Short-term borrowings

Type	Ending Balance	Beginning Balance
Credit loans	17,500,000.00	1,117,000,000.00
Total	17,500,000.00	1,117,000,000.00

As at 31 December 2016, weighted average annual interest rate of short-term borrowings was 1.85%.

22. Financial liabilities at fair value through profit or loss

Item	Ending Balance	Beginning Balance
Financial liabilities designated at fair value through profit and loss		169,786,438.85
Total		169,786,438.85

23. Notes payable

Types of notes	Ending Balance	Beginning Balance
Bank acceptance notes		666,115,033.68
Total		666,115,033.68

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24. Accounts payable

(1) Accounts payable by category

Items	Ending Balance	Beginning Balance
Materials purchased	65,497,384.00	1,980,799,257.46
Payment for projects under construction	162,939.14	33,048,657.56
Balance of product payment	14,359,603.78	135,954,398.46
Retention money	1,947,731.71	191,088,610.10
Other projects and labour services	6,517,496.31	608,533,721.63
Total	88,485,154.94	2,949,424,645.21

(2) The ageing analysis of accounts payable as at the transaction date (including accounts payable to connected persons) is as follows:

Ageing	Ending Balance	Beginning Balance
Within one year	47,026,673.03	2,841,903,143.99
1-2 years	18,271,181.53	88,733,402.12
2-3 years	19,135,352.26	10,626,975.75
Over three years	4,051,948.12	8,161,123.35
Total	88,485,154.94	2,949,424,645.21

(3) Significant accounts payable aged over one year

Name	Ending balance	Reason for unsettlement or carrying forward
Guangzhou United Steel Structures Limited	15,769,088.18	Undue
Sandvik Mining and Construction Material Handling GmbH & Co KG	14,696,597.92	Undue
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	9,336,919.60	Undue
Total	39,802,605.70	–

25. Advances from customers

(1) Advances from customers

Items	Ending Balance	Beginning Balance
Electromechanical and other products	77,013,708.94	102,971,450.69
Total	77,013,708.94	102,971,450.69

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(2) Significant advances from customers aged over one year

Name	Ending balance	Reason for unsettlement or carrying forward
Shenzhen Xuneng Power Generation Co., Ltd.	21,524,308.16	Project uncompleted and unsettled
Sandvik Mining and Construction Material Handling GmbH Co KG	10,312,417.37	Project uncompleted and unsettled
Hainan Xuneng Power Generation Co., Ltd.	7,914,753.58	Project uncompleted and unsettled
CSCEC Eighth Company Industrial Equipment Installation Co., Ltd.	3,642,000.00	Product unaccepted by counterparty due to quality issues
Guangdong Provincial Highway Construction Co., Ltd. Nanhuan Section Branch	3,236,541.70	Project uncompleted and unsettled
Qingdao Haier Special Freezer Co., Ltd.	3,119,247.86	Project uncompleted and unsettled
Jiantao (Lianzhou) Copper Foil Co., Ltd.	2,176,200.00	Project uncompleted and unsettled
Total	51,925,468.67	–

26. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term employee benefits	15,888,071.06	74,851,769.53	89,415,900.12	1,323,940.47
Post-employment benefits – defined contribution plans		5,430,621.69	5,430,621.69	
Termination benefits		65,401.00	65,401.00	
Other benefits due within one year	3,343,805.08		3,343,805.08	
Total	19,231,876.14	80,347,792.22	98,255,727.89	1,323,940.47

(2) Short-term employee benefits

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Wages or salaries, bonuses, allowances and subsidies	26,371.34	43,066,266.65	41,863,866.74	1,228,771.25
Staff welfare		2,759,136.77	2,759,136.77	
Social insurance		2,531,113.88	2,531,113.88	
Including: Medical insurance		1,984,084.50	1,984,084.50	
Work-related injury insurance		258,967.64	258,967.64	
Maternity insurance		242,259.88	242,259.88	
Supplemental medical insurance		45,801.86	45,801.86	
Housing funds		2,788,917.00	2,788,917.00	
Union & education funds	15,861,699.72	1,092,889.68	16,859,420.18	
Outsourcing labour costs and other short-term compensation		22,613,445.55	22,613,445.55	
Total	15,888,071.06	74,851,769.53	89,415,900.12	1,323,940.47

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(3) Defined contribution plans

As required, the Company participates in the social insurance plans established by the government authorities. The Company makes contributions to these plans as required by local governments. The Company has no further payment obligations other than the contributions. The relevant expenses are included in current profit or loss or as the cost of the relevant assets.

The pension, annuity and unemployment plan contributions made by the Company during the year were as follows:

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		5,221,337.61	5,221,337.61	
Unemployment insurance		209,284.08	209,284.08	
Total		5,430,621.69	5,430,621.69	

As at 31 December 2016, all planned pension and unemployment insurance contributions of the Company had been made.

27. Taxes payable

Items	Ending Balance	Beginning Balance
Value-added tax	1,655,763.81	-933,331,642.54
Business Tax		202,445.80
Individual Income Tax	514,589.50	4,595,184.70
City maintenance and construction tax	115,903.47	158,121.48
Property tax	807,342.86	881,722.33
Land use tax	315,808.80	273,550.80
Educational surcharges	82,788.20	112,943.90
Others	5,372.32	276,726.14
Total	3,497,568.96	-926,830,947.39

28. Interest payable

(1) Interest payable by category

Items	Ending Balance	Beginning Balance
Interest on long-term borrowings of which the interest is paid in installments and the principal is repaid when due	329,274.30	3,615,339.11
Interest payable on short-term borrowings	9,892.36	783,213.90
Total	339,166.66	4,398,553.01

29. Dividends payable

Items	Ending Balance	Beginning Balance
Dividends on ordinary shares	498,004.54	174,345.96
Including: Dividends payable for A shares	341,776.11	63,634.72
Dividends payable for H shares	156,228.43	110,711.24
Total	498,004.54	174,345.96

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30. Other payables

(1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Deposits received	838,360.00	305,400.00
Payable for temporary receipts	21,206,919.71	10,747,610.12
Concentrated fund		32,500,000.00
Total	22,045,279.71	43,553,010.12

(2) Significant other payables aged over 1 year

Name	Ending balance	Reason for unsettlement or carrying forward
Guangzhou Sihui Engineering and Technical Service Co., Ltd.	50,000.00	Making deposit
Total	50,000.00	

31. Non-current liabilities due within one year

Items	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

32. Other current liabilities

(1) Breakdown of other current liabilities

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

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From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(2) Government grants

Government grant items	Beginning balance	New grants received during the year	Amount included in non-operating income during the year	Other decreases	Ending balance	Relating to assets /Relating to 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	

Description: Other decrease was due to the transfer of assets. Please refer to Note XVI.1 for details.

33. Long-term borrowings

Type	Ending Balance	Beginning Balance
Credit loans	582,500,000.00	3,269,500,000.00
Total	582,500,000.00	3,269,500,000.00
The carrying amount of the above borrowings shall be repaid:		
Within 1 year	482,500,000.00	549,000,000.00
Over one year but less than two years after balance sheet date	100,000,000.00	2,090,500,000.00
Over two years but less than five years after balance sheet date		630,000,000.00
Less: Amount due within 1 year, as shown under current liabilities	482,500,000.00	549,000,000.00
Amount shown under non-current liabilities	100,000,000.00	2,720,500,000.00

Note: Long-term borrowings carried interest at a rate of 1.85%.

34. Long-term employee benefits payable

Items	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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35. Special payables

Project	Beginning balance	Increase for the year	Decrease for the year	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 year 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.

36. Accrued liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	4,543,266.47	112,326,728.06	Provision made for maintenance fees
Loss-making construction contracts		117,072,858.20	
Total	4,543,266.47	229,399,586.26	

37. Deferred income

(1) Breakdown of deferred income

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Reason for occurrence
Government grants	218,225,166.74		218,225,166.74	0.00	
Total	218,225,166.74		218,225,166.74	0.00	-

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(2) Government grant items

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

38. Share capital

The amount is the same as that in the consolidated statements. For details, please see Note VI.40.

39. Capital reserve

Item	Beginning balance	Increase for the year	Decrease for the year	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

40. Special reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee		49,092.02	49,092.02	
Total		49,092.02	49,092.02	

NOTES TO THE FINANCIAL STATEMENTS

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41. Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	435,312,069.87	8,517,320.24		443,829,390.11
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	453,894,266.30	8,517,320.24		462,411,586.54

Note: The increase in the year represents the statutory surplus reserve made by the Company at 10% of its net profit.

42. Undistributed profit

Item	Current year	Last year
Ending balance of the last year	640,322,143.39	2,450,706,441.59
Add: Beginning adjustment to undistributed profits		
Beginning balance of the year	640,322,143.39	2,450,706,441.59
Add: Net profit attributable to owners of the Company for the year	85,173,202.44	-1,810,384,298.20
Less: Statutory surplus reserve set aside	8,517,320.24	
Dividends on ordinary shares payable	42,405,191.34	
Ending balance of the year	674,572,834.25	640,322,143.39

43. Net current assets

Item	Ending Balance	Beginning Balance
Current assets	346,268,799.58	15,272,079,079.92
Less: Current liabilities	693,202,824.22	10,847,250,264.84
Net current assets	-346,934,024.64	4,424,828,815.08

44. Total assets less current liabilities

Item	Ending Balance	Beginning Balance
Total assets	9,595,534,618.58	22,821,271,604.42
Less: Current liabilities	693,202,824.22	10,847,250,264.84
Total assets less current liabilities	8,902,331,794.36	11,974,021,339.58

45. Borrowings

Details of the borrowings of the Company are as follows:

Item	Ending Balance	Beginning Balance
Short-term borrowings	17,500,000.00	1,117,000,000.00
Non-current liabilities due within one year	482,500,000.00	549,000,000.00
Long-term borrowings	100,000,000.00	2,720,500,000.00
Total	600,000,000.00	4,386,500,000.00

(1) Analysis of borrowings

Items	Ending Balance	Beginning Balance
Bank borrowing		
– Bank borrowings repayable within 5 years	600,000,000.00	3,286,500,000.00
– Bank borrowings repayable after 5 years		
Other borrowings		
– Other borrowings repayable within 5 years		1,100,000,000.00
– Other borrowings repayable after 5 years		
Total	600,000,000.00	4,386,500,000.00

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(2) Analysis of maturity of borrowings

Items	Ending Balance	Beginning Balance
On demand or within one year	500,000,000.00	1,666,000,000.00
One to two years	100,000,000.00	2,090,500,000.00
2-5 years		630,000,000.00
Total	600,000,000.00	4,386,500,000.00

46. Operating income & Operating costs

Item	Current year	Last year
Revenue from principal business	339,968,177.56	10,243,889,894.77
Revenue from other business	10,690,508.18	248,362,612.61
Total	350,658,685.74	10,492,252,507.38
Costs of principal business	333,177,058.77	10,749,365,822.91
Costs of other business	1,778,752.65	216,613,295.28
Total	334,955,811.42	10,965,979,118.19

Gross profit of principal business

Item	Current year	Last year
Revenue from principal business	339,968,177.56	10,243,889,894.77
Costs of principal business	333,177,058.77	10,749,365,822.91
Gross profit	6,791,118.79	-505,475,928.14

Revenue from construction contracts

Item	Current year	Last year
Revenue from construction contracts	171,738,029.86	9,993,589,065.17

(1) Main operation – by product

Product name	Current year	Last year
Operating income		
Shipbuilding	171,738,029.86	9,993,589,065.17
Steel structure engineering		3,482,756.37
Electromechanical products and others	168,230,147.70	246,818,073.23
Total	339,968,177.56	10,243,889,894.77
Operating costs		
Shipbuilding	169,832,413.09	10,513,749,165.14
Steel structure engineering		351,340.10
Electromechanical products and others	163,344,645.68	235,265,317.67
Total	333,177,058.77	10,749,365,822.91

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(2) Main operation – by region

Region	Current year	Last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	168,230,147.70	5,189,064,371.90
Other regions in Asia	86,704,059.27	488,692,917.25
Europe	85,033,970.59	4,190,249,720.65
Oceania		375,882,884.97
Total	339,968,177.56	10,243,889,894.77
Operating costs		
China (including Hong Kong, Macau and Taiwan)	163,344,645.68	5,334,410,303.44
Other regions in Asia	85,607,974.71	688,613,840.80
Europe	84,224,438.38	4,272,556,673.63
Oceania		453,785,005.04
Total	333,177,058.77	10,749,365,822.91

(3) Other operating income and other operating cost

Product name	Current year	Last year
Revenue from other business		
Sale of materials	111,362.39	181,551,909.11
Sales of scrap materials	3,271,275.17	20,457,574.26
Service income	5,593,584.91	19,816,346.67
Rental income	1,714,285.71	18,853,742.76
Energy income		7,683,039.81
Total	10,690,508.18	248,362,612.61
Costs of other business		
Sale of materials	162,934.77	181,401,454.35
Sales of scrap materials	6,861.10	9,778,530.65
Service income	121,886.79	12,419,105.46
Rental income	1,487,069.99	6,236,188.72
Energy income		6,778,016.10
Total	1,778,752.65	216,613,295.28

(4) Top five customers by operating income

Customers	Current year	Proportion (%)
Berge Buik	86,704,059.27	25.50%
Guangzhou Shipyard International Company Limited	82,108,127.99	24.15%
SEA HULL	68,857,796.36	20.25%
Trafigura	16,176,174.23	4.76%
ThyssenKrupp BulkTec (China) Ltd.	8,990,926.50	2.64%
Total	262,837,084.35	77.30%

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47. Business tax and surcharges

Item	Current year	Last year
Business tax		1,197,986.01
City maintenance and construction tax	786,416.43	817,104.18
Educational surcharges	561,726.01	583,645.83
Flood control fee	25,082.48	
Property tax	862,870.39	
Land use tax	239,641.40	
Stamp duty	68,826.69	
Vehicle usage tax	3,126.88	
Total	2,547,690.28	2,598,736.02

48. Selling expenses

Item	Current year	Last year
Product quality warranty	11,564,001.87	64,759,403.19
Transportation fees	2,559,867.95	2,332,784.25
Business expenditure	1,029,007.90	1,107,323.41
Advertisement fees		852,925.92
Exhibition fees		1,985,742.05
Other selling expenses	163,984.38	1,000.00
Total	15,316,862.10	71,039,178.82

49. Administrative expenses

Item	Current year	Last year
Employee salaries	6,904,710.90	85,173,387.69
Research and development expenses		184,697,111.51
Repairing expenses	2,409,226.92	37,136,021.95
Taxation	492,766.99	11,204,320.10
Depreciation	62,768.43	6,250,714.92
Amortisation of intangible asset	325,075.44	5,178,517.42
Labour service fee		9,126,688.49
Business entertainment expenses	321,500.35	1,974,131.89
Travelling expense	302,390.55	2,203,606.42
Security expense		7,977,784.18
Agency fee	435,391.55	1,413,540.54
Board meeting fee	4,089,212.28	12,130,823.79
Utilities expense	79,985.01	3,423,657.46
Office expenses	110,214.45	782,564.14
Rentals	197,714.28	1,294,387.66
Insurance premium	33,390.62	486,772.69
Environmental protection fee	28,228.72	4,763,067.53
Information management fees	98,704.40	
Others	2,862,130.76	24,917,680.55
Total	18,753,411.65	400,134,778.93

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50. Finance costs

(1) Breakdown of finance costs

Item	Current year	Last year
Interest expenses	12,840,156.23	168,613,392.07
Less: Interest income	17,991,812.26	137,484,575.30
Add: Exchange losses	-673,990.70	79,927,403.76
Add: Other expenses	635,871.11	7,062,705.98
Total	-5,189,775.62	118,118,926.51

(2) Breakdown of interest expenses

Item	Current year	Last year
Interest on bank loans and overdraft	12,840,156.23	
Interest on bank loans due within 5 years		130,649,017.09
Subtotal	12,840,156.23	130,649,017.09
Other borrowings		
Interest on other borrowings due within 5 years		37,964,374.98
Subtotal		37,964,374.98
Less: Capitalized interest		
Total	12,840,156.23	168,613,392.07

(3) Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	5,151,656.03	137,484,575.30
Other interest income	12,840,156.23	
Total	17,991,812.26	137,484,575.30

51. Asset impairment losses

Item	Current year	Last year
Loss on bad debts	-8,963,948.24	13,563,424.93
Loss on diminution in value of inventories	1,948,291.32	547,379,696.86
Total	-7,015,656.92	560,943,121.79

52. Gain/loss on change in fair value

Item	Current year	Last year
Financial assets at fair value through profit or loss		24,813,946.93
Financial liabilities at fair value through profit or loss		-150,276,474.20
Total		-125,462,527.27

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53. Investment income

Item	Current year	Last year
Gain on long-term equity investments accounted for using equity method		87,687.51
Gain on long-term equity investments accounted for using cost method	93,600,910.09	
Investment income from disposal of financial assets at fair value through profit and loss		-60,932,319.55
Investment income from disposal of available-for-sale financial assets		
Investment income from disposal of long-term equity investments		
Total	93,600,910.09	-60,844,632.04

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

54. Non-operating income

(1) Breakdown of non-operating income

Item	Current year	Last year	Amounts included in non-recurring profit and loss for current period
Gain on disposal of non-current assets Including: Gain on disposal of fixed assets		201,760.23	
Government grants	29,700.00	138,424,718.83	29,700.00
Penalty income		55,400.00	
Compensation income	115,044.03	410,000.00	115,044.03
Others	441,089.73	1,347,828.40	441,089.73
Total	585,833.76	140,439,707.46	585,833.76

The amount included in non-recurring profit and loss for the year was RMB585,833.76 (Last year: RMB68,015,122.05).

(2) Breakdown of government grants

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Revenue from product subsidies		72,424,585.41	Government subsidies	Relating to revenue
Research of shipbuilding process and technology		16,981,842.95	Government subsidies	Relating to revenue
Research and development and industrial application of design and building technology for 76,000 ton semi-submerged ships		28,000,000.00	National Development and Reform Commission	Relating to revenue
Research of key technologies for polar deck ships		9,900,000.00	MIT	Relating to revenue
Job stabilization subsidy	29,700.00		Government subsidies	Relating to revenue
Others		11,118,290.47	Government subsidies	
Total	29,700.00	138,424,718.83		

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

55. Non-operating expenses

Item			Amounts included in non-recurring profit and loss for current period
	Current year	Last year	
Total loss from disposal of non-current assets Including: Loss on disposal of fixed assets		500,651.89	
External donations	20,000.00		20,000.00
Others	147,273.48	47,519.04	147,273.48
Total	167,273.48	548,170.93	167,273.48

The amount included in non-recurring profit and loss for the year was RMB167,273.48 (Last year: RMB548,170.93).

56. Income tax expenses

(1) Income tax expenses

Item	Current year	Last year
Current income tax calculated in accordance with the tax law and relevant regulations – PRC enterprise income tax	136,610.76	-4,594,548.07
Deferred income tax expenses		142,001,870.61
Total	136,610.76	137,407,322.54

(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 year	Last year
Total consolidated profit for the year	85,309,813.20	-1,672,976,975.66
Income tax expenses calculated at statutory/applicable tax rate	21,327,453.30	-250,946,546.35
Impact of different tax rates for subsidiaries		
Impact of adjustment for income tax for previous period	136,610.76	143,899,707.51
Impact of non-taxable income	-23,400,227.52	13,153.13
Impact of non-deductible costs, expenses and losses	41,818.37	190,208.26
Impact of utilisation of deductible loss for which no deferred tax assets are previously recognised		
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	2,030,955.85	256,845,348.06
Under-provision for income tax for prior years		-4,594,548.07
Change in balance of deferred tax assets/liabilities as a result of change in tax rate		-8,000,000.00
Income tax expense	136,610.76	137,407,322.54

57. Depreciation and amortisation

Item	Current year	Last year
Depreciation of investment properties		628,712.16
Disposal of fixed assets	7,339,120.68	52,952,377.16
Amortisation of intangible asset	325,075.44	5,178,517.42
Long-term prepaid expenses	340,661.83	3,338,607.25
Total	8,004,857.95	62,098,213.99

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

None.

59. Operating rental expense

Operating rental expense for the year is RMB197,714.28 (Last year: RMB6,236,188.72).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016
(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

60. Rental income

Operating rental income for the year is RMB1,714,285.71 (Last year: RMB18,853,742.76), including rental income from land and buildings of RMB1,714,285.71 (Last year: RMB7,319,355.78).

61. 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 year	Last year
Raw materials consumed	64,565,227.50	6,150,265,919.70
Employee compensation expenses	74,917,170.53	859,218,686.62
Depreciation expenses	7,339,120.68	53,581,089.32
Amortisation expenses	665,737.27	5,178,517.42
Shipbuilding fee	191,676,080.77	4,208,250,474.78
Utilities fee	6,865,699.70	46,506,128.90
Taxes and surcharges	492,766.99	11,204,320.10
Others	22,504,281.73	102,947,939.10
Total	369,026,085.17	11,437,153,075.94

62. 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 year	Last year
Receipts of product subsidies		178,673,400.00
Government grants	29,700.00	62,090,000.00
Other non-operating income	556,133.76	6,794,821.74
Interest income from demand bank deposit	1,664,559.37	11,318,087.02
Receipt of repayment of entrusted loans by Zhongshan Haiyang		440,000,000.00
Receipt of repayment of entrusted loans by GSI		122,750,000.00
Other current account	24,219,317.17	971,441,864.76
Total	26,469,710.30	1,793,068,173.52

2) Other cash payments relating to operating activities

Item	Current year	Last year
Administrative expense	10,968,089.89	108,567,792.49
Operating expense	3,752,860.23	3,273,524.43
Warranty expense		25,845,091.07
Bank charges	635,871.11	8,897,050.45
Non-operating expenses	167,273.48	
Deposit and margin paid	838,360.00	
Reserve funds	3,017,795.89	
Payment of other current accounts	22,806,816.22	134,723,394.26
Total	42,187,066.82	281,306,852.70

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

3) *Other cash receipts relating to investing activities*

Item	Current year	Last year
Release of pledge on fixed deposits	1,001,640,000.00	3,092,052,909.79
Interest income on fixed deposits	31,848,969.20	180,777,819.54
Collection of loans made and settled on a consolidated basis	155,000,000.00	
Total	1,188,488,969.20	3,272,830,729.33

4) *Other cash payments relating to investing activities*

Item	Current year	Last year
Pledge of fixed deposit	30,000,000.00	859,523,000.00
Loans to subsidiaries made	87,500,000.00	667,500,000.00
Total	117,500,000.00	1,527,023,000.00

5) *Other cash receipts relating to financing activities*

Item	Current year	Last year
State subsidy		170,000,000.00
Total		170,000,000.00

6) *Other cash payments relating to financing activities*

Item	Current year	Last year
Issuance fees and relevant cost for Qihang Project		3,547,126.33
Total		3,547,126.33

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

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

Item	Current year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	85,173,202.44	-1,810,384,298.20
Add: Provision for impairment of assets	-7,015,656.92	560,943,121.79
Disposal of fixed assets	7,339,120.68	53,581,089.32
Amortisation of intangible asset	325,075.44	5,178,517.42
Amortisation of long-term prepaid expenses	340,661.83	3,338,607.25
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")		298,891.66
Loss on disposal of fixed assets (Gain listed as "-")		
Loss on changes in fair value (Gain listed as "-")		125,462,527.27
Finance cost (Gain listed as "-")	-19,682,803.67	67,096,450.89
Loss on investments (Gain listed as "-")	-93,600,910.09	60,844,632.04
Decrease in deferred tax assets (Increase listed as "-")		143,953,069.82
Increase in deferred tax liabilities (Decrease listed as "-")		-1,951,199.21
Decrease in inventories (Increase listed as "-")	413,746,253.84	-1,798,709,951.6
Decrease in operating receivables (Increase listed as "-")	18,076,816.46	-137,674,403.40
Increase in operating payables (Decrease listed as "-")	-715,181,883.26	1,676,173,123.19
Others		
Net cash flows from operating activities	-310,480,123.25	-1,051,849,821.76
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	88,028,234.52	2,724,187,025.99
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	-2,636,158,791.47	-978,358,123.26

(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	88,028,234.52	2,724,187,025.99
Including: Cash on hand	1,645.27	42,887.07
Bank deposits available for use on demand	88,026,589.25	2,724,089,083.49
Other monetary funds for use on demand		55,055.43
Cash equivalents		
Including: Bonds investments due within three months		
Cash and cash equivalents at the end of the year	88,028,234.52	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 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

XVIII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 31 March 2017.

Supplemental information on financial statements

1. Breakdown of current extraordinary items

- (1) According to the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses (2008) issued by China Securities Regulatory Commission, the non-recurring gains and losses of the Group for 2016 were as follows:

Item	Current year	Details
Gain or loss on disposal of non-current assets	-8,419,716.70	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature		
Government grants included in current profit or loss	125,739,665.59	
Capital occupation fee received from non-financial entities included in current profit or loss		
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 under management	75,873,758.87	
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 year 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		
Gain or loss 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 operation	14,222,799.15	
Reversal of the impairment provision for receivables which are tested individually for impairment	106,000.00	
Gain or loss on entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	-60,166,333.22	
Other gain or loss items meeting the definition of non-recurring gains or losses	26,896,200.00	
Subtotal	174,252,373.69	
Effect of income tax	6,790,074.84	
Effect of minority interests (after tax)	241,527.82	
Total	167,220,771.03	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 31 December 2016

(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

- (2) Notes to the “Other gain or loss items meeting the definition of non-recurring gains or losses” and the non-recurring gain or loss items designated by the Company as recurring items based on the natures and features of its operation

Item	Amount	Reason
Subsidies for Insurance Premium for the First Piece (Set) of Crucial High-Tech Equipment	53,210,000.00	Note Closely relating to operation, granted at fixed amount and on a continuous basis
Dividends	25,620,000.00	
Immediately refunded value-added tax for software revenue	1,513,397.12	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	80,343,397.12	

Note: The Subsidies for Insurance Premium for the First Piece (Set) of Crucial High-Tech Equipment represent government grant closely related to the equipment manufactured by the Company and are only granted after the Company has maintained “Comprehensive insurance”, and the amount of subsidies is directly related to the insurance premium expense of the Company for “Comprehensive insurance”. All the aforesaid government grants are closely relating to the normal operation of the Company, subject to national policies and granted at fixed amount and on a continuous basis, and fall under non-recurring gains on losses in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public.

2. Returns on net assets and earnings per share

In accordance with the Explanatory Announcement No. 9 on Information Disclosure for Companies Offering Their Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings Per Share (2010 revision), the weighted average return on equity, basic earnings per share and diluted earnings per share of the Group for 2016 were as follows:

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of parent company	0.69%	0.0504	0.0504
Net profit attributable to shareholders of the Company, net of exceptional items	-0.93%	-0.0679	-0.0679

3. Abnormal issues and explanations

Assets	Note	Ending balance	Beginning balance	Change	Percentage of change
Cash at bank and on hand	Note 1	12,347,969,978.26	17,664,365,754.92	-5,316,395,776.66	-30.10%
Financial assets at fair value through profit or loss	Note 2		13,063,411.11	-13,063,411.11	-100.00%
Notes receivable	Note 3	122,945,274.57	21,097,180.25	101,848,094.32	482.76%
Dividends receivable	Note 4		635,116.05	-635,116.05	-100.00%
Other receivables	Note 5	72,448,156.82	694,376,182.24	-621,928,025.42	-89.57%
Other current assets	Note 6	1,892,964,428.05	845,000,000.00	1,047,964,428.05	124.02%
Long-term receivables	Note 7	478,791,643.97	356,141,245.87	122,650,398.10	34.44%
Other non-current assets	Note 8	1,001,361,563.30	300,000,000.00	701,361,563.30	233.79%

Note 1: Cash at bank and on hand decreased by 30.10%, mainly due to repayment of borrowings and decrease in project payment;

Note 2: Financial assets at fair value through profit and loss decreased by 100%, mainly because all forward exchange contracts had been settled and no new contracts had been entered into during the period;

Note 3: Notes receivable increased by 482.76%, mainly due to increase in receipts of bank acceptance bills during the year;

Note 4: Dividends receivable decreased by 100%, mainly due to payment of dividend declared for previous years by associates;

Note 5: Other receivables decreased by 89.57% from the end of last year, mainly due to receipt of remaining balance of the consideration from Shanghai Lingxiang for the transfer of equity interest in Guangzhou Shipyard Shipping Co., Ltd. in 2015;

Note 6: Other current assets as at the end of the year increased by 124.02% from the end of last year, mainly due to 1) transfer of debit balance of taxation payable – value-added tax to this item in accordance with the Circular Cai Kuai [2016] No. 22; and 2) decrease in wealth management products due within one year compared to last year;

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

Note 7: Long-term receivables increased by 34.44%, mainly due to increase in receipt in installments for sale of goods of Wenchong Shipyard, a subsidiary of the Company;

Note 8: Other non-current assets increased by 233.79% from the end of last year, mainly due to increase in the amount of wealth management products for which agreements had been entered into with CSSC Finance as at the end of the year;

Liabilities and equity	Note	Ending balance	Beginning balance	Change	Percentage of change
Short-term borrowings	Note 9	445,636,500.54	6,746,671,403.20	-6,301,034,902.66	-93.39%
Financial liabilities at fair value through profit or loss	Note 10		181,241,917.70	-181,241,917.70	-100.00%
Employee benefits payable	Note 11	59,354,143.31	35,838,830.14	23,515,313.17	65.61%
Taxes payable	Note 12	127,111,097.76	-1,122,743,774.34	1,249,854,872.10	Not applicable
Interest payable	Note 13	11,109,426.83	21,533,573.71	-10,424,146.88	-48.41%
Dividends payable	Note 14	3,806,004.54	256,103,771.17	-252,297,766.63	-98.51%
Other payables	Note 15	358,190,436.06	245,194,170.01	112,996,266.05	46.08%
Non-current liabilities due within one year	Note 16	5,675,200,000.00	1,777,500,000.00	3,897,700,000.00	219.28%
Special payables	Note 17	1,390,339,744.58	984,839,744.58	405,500,000.00	41.17%
Deferred income	Note 18	67,514,328.51	260,320,055.21	-192,805,726.70	-74.06%
Deferred tax liabilities	Note 19	499,094.19	2,310,530.93	-1,811,436.74	-78.40%

Note 9: Short-term borrowings decreased by 93.39% from the end of last year, mainly due to repayment of borrowings;

Note 10: Financial liabilities at fair value through profit and loss decreased by 100% from the end of last year, mainly because all forward exchange contracts had been settled and no new contracts had been entered into during the period;

Note 11: Employee benefits payable increased by 65.61% from the end of last year, mainly due to provision made by subsidiaries for bonus for the year 2016;

Note 12: Taxes payable increased by RMB1,250 million from the end of last year, mainly due to transfer of debit balance of taxation payable – value-added tax to other current assets in accordance with the Circular Cai Kuai [2016] No. 22;

Note 13: Interest payable decreased by 48.41%, mainly due to the decrease in interest rate of loans and in the average balance of loans;

Note 14: Dividends payable decreased by 98.51% from the end of last year, due to payment of dividend for the period before completion of transfer in 2015 of RMB255 million by Huangpu Wenchong, a subsidiary of the Company, to CSSC;

Note 15: Other payables increased by 46.08% from the end of last year, mainly due to the increase in deposit paid by and balance during the year;

Note 16: Non-current liabilities due within one year increased by 219.28% from the end of last year, due to the reclassification from long-term borrowing during the year;

Note 17: Special payables increased by 41.17% from the end of last year, mainly due to increase in national subsidies for infrastructure projects during the year;

Note 18: Deferred income decreased by 74.06% from the end of last year, mainly due to reclassification of items relating to assets;

Note 19: Deferred tax liabilities decreased by 78.40%, mainly due to the decrease in financial assets at fair value through profit or loss during the year;

Income/expense	Note	Current year	Last year	Change	Percentage of change
Taxes and surcharges	Note 20	70,579,480.62	26,058,415.07	44,521,065.55	170.85%
Selling expenses	Note 21	116,743,820.71	210,814,276.68	-94,070,455.97	-44.62%
Finance costs	Note 22	-17,946,547.67	336,489,851.01	-354,436,398.68	Not applicable
Asset impairment losses	Note 23	208,829,341.68	391,283,454.14	-182,454,112.46	-46.63%
Gain on change in fair value	Note 24	168,178,506.59	-129,608,691.45	297,787,198.04	Not applicable
Investment income	Note 25	-48,371,480.29	2,034,308,125.58	-2,082,679,605.87	Not applicable
Non-operating expenses	Note 26	78,673,400.06	4,966,346.67	73,707,053.39	1484.13%
Income tax expense	Note 27	32,746,647.37	365,814,179.00	-333,067,531.63	-91.05%
Minority interests	Note 28	15,463,911.50	5,576,929.27	9,886,982.23	177.28%
Other comprehensive income	Note 29	-274,491.63	-14,881,889.67	14,607,398.04	Not applicable

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(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

- Note 20: Taxes and surcharges increased by 170.85% from last year, mainly because taxation, such as property tax, vehicle usage tax and stamp tax, for the period from May 2016 to December 2016 were included in taxes and surcharges in accordance with the Circular Cai Kuai [2016] No. 22;
- Note 21: Selling expenses decreased by 44.62% from last year, mainly due to the decrease in revenue for the year compared to last year, decrease in provision made for ship maintenance fees based on the revenue for the year, and the entering into of maintenance termination agreements with ship owners during the year to offset the balance of ship maintenance fees for which the warranty period has expired;
- Note 22: Finance cost decreased by RMB354 million from last year, mainly due to increase in exchange gains arising from change in exchange rates;
- Note 23: Loss on impairment of assets decreased by 46.63% from last year, mainly due to the appreciation of U.S. dollars, leading to the increase in total estimated contractual revenue and the decrease in estimated contractual loss.
- Note 24: Gain on change in fair value increased by RMB290 million from last year, mainly because all forward exchange contracts had been settled on maturity or closed during the year, and the change in fair value was transferred to investment income upon settlement of forward exchange settlement business;
- Note 25: Investment income decreased by RMB2,080 million from last year, mainly due to the increase in investment loss arising from settlement (closing) of forward exchange contracts compared to last period, and investment income of RMB2,055 million on disposal of equity interest in subsidiaries;
- Note 26: Non-operating expenses increased by approximately RMB74 million from last year, mainly due to increase in accruals of RMB66 million;
- Note 27: Income tax expense decreased by 91.05% from last year, mainly due to decrease in taxable income for the year compared to last year;
- Note 28: Profit or loss attributable to minority interest increased by 177.28% from last year, mainly due to increase in net profit of Fanguang Development Co., Ltd. during the year compared to last year.
- Note 29: Other comprehensive income increased by RMB14,607,400, mainly due to recognition of costs of "three kinds of personnel" (cadres retired with honors, retired employees and early retired employees) of Huangpu Wenchong, a subsidiary of the Company, and the inclusion of actuarial gains in other comprehensive income.

CSSC Offshore & Marine Engineering (Group) Company Limited

31 March 2017