



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

The background of the entire page is a vibrant blue sky with scattered white clouds, transitioning into a deep blue ocean with gentle ripples at the bottom. The image is framed by a thin white border.

Interim Report
2017

IMPORTANT NOTES

1. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company confirm that information contained in this interim 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.
2. All directors of the Company have attended the 14th meeting of the eighth session of the Board held on 30 August 2017, at which the interim report for 2017 was approved unanimously.
3. The financial information contained in this interim report is unaudited. The Audit Committee has reviewed and approved the interim results and financial report of the Company for the period ended 30 June 2017.
4. Han Guangde, the person in charge of the Company, Chen Qiongliang, the person in charge of accounting and Xie Weihong, head of accounting department, have declared that: they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
5. The Company will not make profit distribution or capitalisation of reserve for the first half of 2017.
6. This interim 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. Investors are advised to keep investment risk in mind.
7. 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.
8. This interim report is prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

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SECTION I DEFINITIONS AND IMPORTANT RISK WARNINGS

I. DEFINITIONS

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

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 (Hong Kong) Shipping	CSSC (Hong Kong) Shipping Company Limited, an overseas wholly-owned subsidiary of CSSC
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
Wenchuan Heavy Industrial	Guangzhou Wenchong Heavy Industrial Co., Ltd., a wholly-owned 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	the Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
CSSC Chengxi	CSSC Chengxi Shipbuilding Co., Ltd., a wholly-owned subsidiary of China State Shipbuilding Co., Ltd.
Liner Technology	CSSC Liner Technology Development Co., Ltd., a subsidiary 2.174% of which is owned by GSI

II. IMPORTANT RISK WARNINGS

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

SECTION II CORPORATE PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND CONTACT METHODS

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

III. CHANGE IN BASIC INFORMATION

Registered address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou City, PRC
Postal code of the registered address of the Company	510382
Office address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou City, PRC
Postal code of the office address of the Company	510382
Website of the Company	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn
Principal place of business in Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

IV. CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BASIC INFORMATION OF THE SHARES OF THE COMPANY

Type of shares	Stock exchange on which the shares are listed	Securities abbreviation	Stock code	Stock abbreviation before change
A Shares	The Shanghai Stock Exchange	COMEC	600685	GSI
H Shares	The Stock Exchange of Hong Kong Limited	COMEC	00317	Guangzhou Shipyard International

SECTION II CORPORATE PROFILE AND KEY FINANCIAL INDICATORS

VI. MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE COMPANY

(i) Major accounting figures

Unit: Yuan Currency: RMB

Major accounting figures	Reporting Period (From January to June)	Corresponding period of last year	Change (%)
Operating income	10,417,531,197.45	11,359,948,288.79	-8.30
Net profit attributable to shareholders of the Company	43,972,225.89	37,072,739.65	18.61
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-18,554,794.39	-67,233,326.03	Not applicable
Net cash flows from operating activities	-3,772,268,540.51	-3,748,517,735.67	Not applicable
Major accounting figures	At the end of the Reporting Period	As at the end of the previous year	Change (%)
Net assets attributable to shareholders of the Company	10,372,401,148.29	10,347,803,098.94	0.24
Total assets	43,266,821,535.75	46,268,585,829.63	-6.49

(ii) Key financial indicators

Key financial indicators	Reporting Period (From January to June)	Corresponding period of last year	Change (%)
Basic earnings per share (RMB/share)	0.0311	0.0262	18.70
Diluted earnings per share (RMB/share)	0.0311	0.0262	18.70
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.0131	-0.0476	Not applicable
Weighted average return on equity (%)	0.42	0.36	Increase of 0.06 percentage point
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-0.18	-0.65	Not applicable

SECTION II CORPORATE PROFILE AND KEY FINANCIAL INDICATORS

VII. EXTRAORDINARY ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary items	Amount
Gain or loss on disposal of non-current assets	984,482.08
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax	-
Government grants included in current profit or loss, other than on-going government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	32,998,478.01
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	26,507,232.89
Provision for impairment on assets due to force majeure events, such as natural disasters	-
Gain or loss on debt restructuring	-
Corporate restructuring costs, such as employee relocation expenses and integration costs	-
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value	-
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control	-
Profit or loss from other contingencies which are not related to the Company's normal operations	-
Gain or loss on changes in fair value of financial assets held for trading, financial liabilities held for trading 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	-651,024.92
Reversal of the impairment provision for receivables which are tested individually for impairment	-
Gains or losses from 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	7,366,424.73
Other gain or loss items meeting the definition of non-recurring gains or losses	-
Effect of minority interests	-102.05
Effect of income tax	-4,678,470.46
Total	62,527,020.28

SECTION III BUSINESS OVERVIEW OF THE COMPANY

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

(i) Principal activities of the Company

During the Reporting Period, the Group's principal business includes shipbuilding and repair, steel structure and electromechanical products. There were no material changes in the principal business compared to 2016.

(ii) Business model

During the Reporting Period, as a holding company, the Company focuses on asset operation and investment management, and its subsidiaries conduct independent production and operation and are principally engaged in shipbuilding. There were no material changes in the business model compared to 2016.

(iii) Analysis of change in factors driving business revenue

During the Reporting Period, the Group recorded operating income of RMB10,418 million, representing a year-on-year decrease of 8.30%, and obtained shipbuilding orders amounting to RMB5,379 million, mainly due to the continued downturn of the shipbuilding industry and growing competition from domestic and overseas shipbuilding enterprises.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

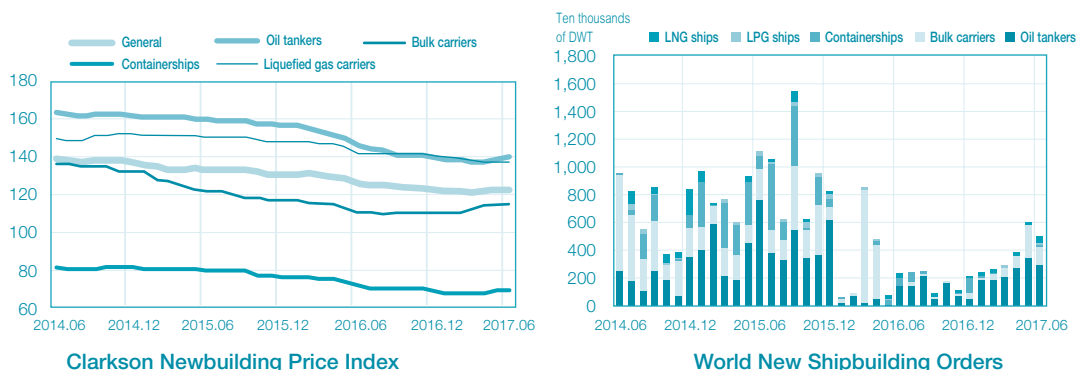
During the Reporting Period, the Group's core competitiveness covered four major areas, being product advantage, technological advantage, brand advantage and market advantage. There were no material changes in the core competitiveness compared to 2016.

I. MANAGEMENT DISCUSSION AND ANALYSIS

Development of the shipbuilding market in the first half of 2017

The new ship prices were still at a low level. In the first half of 2017, certain shipbuilding enterprises strengthened their price-cutting efforts to secure orders under the looming production pressure, leading to the decrease in new ship prices. The ClarkSea Index dropped to record low of 121 points.

The demand for new ships slightly recovered. In the first half of 2017, with new ship prices at record low and the stabilization of the shipping market, certain ship owners and investors started to place speculative orders, and the trading volume of new ships in the global shipbuilding market increased. A total of 358 ships, totalling 23.79 million DWT, were delivered in the world in the first half of the year, representing a year-on-year increase of 27%.



Operation of the Group

During the Reporting Period, the Group secured new projects with contract value of RMB5,379 million, representing 20.72% of annual target; operating income of the Group prepared in accordance with the Accounting Standards and Regulations amounted to RMB10,418 million, representing a decrease of 8.30% compared with the corresponding period of last year. Net profit attributable to the shareholders of the Company amounted to RMB43,972,200, representing an increase of 18.61% compared with the corresponding period of last year. Earnings per share were RMB0.0311, and earnings per share after deduction of non-recurring gains and losses were RMB-0.0131.

During the Reporting Period, in the face of still challenging market situations, the Group continued to strengthen its product and operation management to comprehensively enhance quality and efficiency, and the Group delivered a total of 32 ships. In addition, by following the principle of “modest and limited diversification into related industries”, the Group actively explored industry planning for diversification into emerging industries such as environment protection and renewable energy and established Nanfang Environment Co., Ltd. and CSSC (Guangzhou) New Energy Co., Ltd..

(i) Analysis of principal business

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

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	10,417,531,197.45	11,359,948,288.79	-8.30
Operating costs	9,569,573,977.38	10,635,670,335.59	-10.02
Selling expense	82,600,434.36	100,032,415.61	-17.43
Administrative expense	523,351,934.09	595,934,762.38	-12.18
Finance cost	198,463,829.73	9,665,504.45	1,953.32
Net cash flows from operating activities	-3,772,268,540.51	-3,748,517,735.67	Not applicable
Net cash flows from investing activities	727,282,825.52	-1,297,790,012.77	Not applicable
Net cash flows from financing activities	-228,287,001.59	4,738,591,512.43	Not applicable
Research and development expense	178,644,952.31	175,584,518.03	1.74

SECTION IV REPORT OF THE BOARD

Reason for change in operating income: change in product mix.

Reason for change in operating costs: change in product mix.

Reason for change in selling expenses: mainly due to the increase in the reversal of provision for ship maintenance fee for which the warranty period has expired during the period, and the decrease in provision made.

Reason for change in administrative expenses: mainly due to the decrease in research and development expense and repair expense.

Reason for change in finance cost: mainly due to the increase in exchange loss as a result of exchange rate fluctuation.

Reason for change in net cash flow from operating activities: mainly due to poor collection of receivables for civil ship contracts, and decrease in advances for ship progress fees.

Reason for change in net cash flow from investing activities: mainly due to combined effects of release of pledge on fixed deposit, investment in wealth management products and infrastructure expenses.

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

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

2 Others

Details of the composition of the Company's profits or material changes in the sources of profits

Item	Current period	Corresponding period of last year	Change (%)	Reason for change
Taxes and surcharges	34,472,271.94	11,239,441.71	206.71	Taxation, such as property tax, vehicle usage tax and stamp tax, for the period from January to April 2016 were not included in such item as a result of the Circular Cai Kuai [2016] No. 22
Finance cost	198,463,829.73	9,665,504.45	1,953.32	Increase in exchange loss as a result of exchange rate fluctuation
Loss on impairment of assets	14,307,072.64	75,346,825.42	-81.01	Decrease in expected contractual loss
Gain on change in fair value	-655,224.92	149,283,686.40	Not applicable	Change in exchange rate and decrease in the number of foreign exchange contracts on hand during the period
Investment income	26,917,017.63	-74,790,875.31	Not applicable	No gain or loss on settlement during the period
Other income	20,209,210.99	0.00	Not applicable	In accordance with the new standard for government grant, the income relating to day-to-day production and operation and not set off against costs during the period was transferred to and reported under this item
Non-operating income	22,812,890.90	66,248,903.45	-65.56	Government grants relating to day-to-day production and operation transferred to other income or set off against costs
Non-operating expenses	977,913.09	5,189,356.38	-81.16	Decrease in loss on disposal of fixed assets during the period
Income tax expense	11,111,662.08	23,834,214.63	-53.38	Decrease in current income tax expenses
Other comprehensive income	213,038.28	-331,848.09	Not applicable	Effect of change in fair value of available-for-sale financial assets

SECTION IV REPORT OF THE BOARD

(ii) Analysis of assets and liabilities

1. Assets and liabilities

Unit: RMB

Name of item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of the previous period	Proportion among total assets at the end of the previous period (%)	Change of amount at the end of current period compared with that of the end of the previous period (%)	Description
Cash at bank and on hand	8,426,013,582.72	19.47	12,347,969,978.26	26.69	-31.76	Decrease in project settlement payment
Notes receivable	61,291,937.59	0.14	122,945,274.57	0.27	-50.15	Decrease in acceptance bills received
Accounts receivable	1,705,230,847.51	3.94	1,280,968,787.17	2.77	33.12	Increase in ship-related progress receivables
Interest receivable	93,930,722.87	0.22	138,243,843.26	0.30	-32.05	Decrease in fixed deposits
Non-current assets due within one year	701,000,000.00	1.62	0.00	0.00	Not applicable	Reclassification of entrusted wealth management products
Disposal of fixed assets	5,029,274.40	0.01	2,572,359.05	0.01	95.51	Increase in relocation expenses during the period
Long-term prepaid expenses	11,839,506.54	0.03	17,049,706.48	0.04	-30.56	Effect of amortisation for the period
Other non-current assets	300,000,000.00	0.69	1,001,361,563.30	2.16	-70.04	Reclassification of wealth management products due within one year into current assets
Short-term borrowings	1,450,562,726.06	3.35	445,636,500.54	0.96	225.50	New loans
Financial liabilities at fair value through profit or loss	655,224.92	0.00	0.00	0.00	Not applicable	New foreign exchange swap contracts
Notes payable	1,336,659,948.06	3.09	1,916,069,525.06	4.14	-30.24	Acceptance of bills due
Employee benefits payable	97,617,874.40	0.23	59,354,143.31	0.13	64.47	Provision made by subsidiaries for bonus for the year 2017
Taxes payable	71,208,900.40	0.16	127,111,097.76	0.27	-43.98	Decrease in income tax expense
Interest payable	18,173,157.90	0.04	11,109,426.83	0.02	63.58	Mainly due to the increase in interest rate of borrowings
Dividends payable	30,656,057.74	0.07	3,806,004.54	0.01	705.47	Provision made for dividends for 2016 during the period
Special payables	99,370,000.00	0.23	1,390,339,744.58	3.00	-92.85	Transfer to minority interests
Special reserve	3,958,118.83	0.01	929,231.60	0.00	325.96	Provision made for production safety fee
Minority interests	1,460,214,060.86	3.37	62,996,345.75	0.14	2,217.93	Transfer from special payables

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/letters of credit and term deposits with maturity of over 3 months amounting to RMB1,844,694,265.18 in total.

SECTION IV REPORT OF THE BOARD

(iii) Analysis of investments

1. General analysis of external equity investments

During the Reporting Period, the balance of equity investments made by the Group amounted to RMB71,146,900, representing an increase of 3.17% from RMB68,961,700 at the beginning of the year.

(1) Material equity investments

- a. On 10 July 2017, Wenchuan Heavy Industrial, a wholly-owned subsidiary of Huangpu Wenchong, Jutin New Energy Technology Co., Ltd. and Guangzhou Yinfang Chemical Co., Ltd. established a joint venture, being CSSC (Guangzhou) New Energy Co., Ltd., with a registered capital of RMB18 million. Wenchuan Heavy Industrial, as the controlling shareholder, contributed RMB7.2 million, representing 40% equity interest; Jutin New Energy Technology Co., Ltd. contributed RMB7.02 million, representing 39% equity interest; and Guangzhou Yinfang Chemical Co., Ltd. contributed RMB3.78 million, representing 21% equity interest. CSSC (Guangzhou) New Energy Co., Ltd. is principally engaged in the production and supply of gas.
- b. On 11 July 2017, Huangpu Wenchong made additional contribution of HK\$990,000 into Wah Loong International Marine Limited. Following the capital contribution, Wah Loong International Marine Limited had a registered capital of HK\$1 million, of which HK\$990,000 was made by Huangpu Wenchong, representing 99% equity interest and HK\$10,000 was made by Wah-Chang International Marine Industry Company Limited, representing 1% equity interest. Wah Loong International Marine Limited is principally engaged in ship sales and leasing.
- c. On 11 July 2017, Huangpu Wenchong made additional contribution of HK\$990,000 into Wah Shun International Marine Limited. Following the capital contribution, Wah Shun International Marine Limited had a registered capital of HK\$1 million, of which HK\$990,000 was made by Huangpu Wenchong, representing 99% equity interest and HK\$10,000 was made by Wah-Chang International Marine Industry Company Limited, representing 1% equity interest. Wah Shun International Marine Limited is principally engaged in ship sales and leasing.

(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 swap contracts, as well as available-for-sale equity instruments measured at fair value. In particular, for financial assets at fair value through profit or loss, at measurement date, the public quotations from 3 banks before adjustment were obtained. According to prudence principle, one quotation is chosen to be input value. The debt rate published by the PBC is chosen to be discount rate (please refer to the notes to the financial statements in this report for details).

(iv) Material disposal of assets and equity interest

At the 38th meeting of the eighth session of the Board and the first extraordinary meeting of 2017 held on 14 July and 29 August 2017, respectively, the resolution on the transfer of 51% equity interest in GSI Yangzhou Co., Ltd. and connected transaction was considered and passed, pursuant to which 51% equity interest in GSI Yangzhou, a wholly-owned subsidiary of the Company, will be transferred to CSSC, the controlling shareholder of the Company, as agreed at a consideration of RMB741,158,500. For details, please refer to the announcement dated 14 July 2017 on the transfer by CSSC Offshore & Marine Engineering (Group) Company Limited of 51% equity interest in GSI Yangzhou Co., Ltd. and connected transaction, and the announcement dated 29 August 2017 on the results of the first extraordinary meeting of 2017 of CSSC Offshore & Marine Engineering (Group) Company Limited published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

SECTION IV REPORT OF THE BOARD

(v) Analysis of major subsidiaries and associates

Unit: RMB in ten thousand Currency: RMB

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the period
Major subsidiaries						
Guangzhou Shipyard International Company Limited	Technical design, manufacture, repair of ships, electrical machinery, general machinery, steel structure	272,000	100	2,024,756	585,793	-1,580
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	197,380	100	1,867,492	453,556	4,223
GSI Yangzhou Co., Ltd.	Manufacturing of ships, ship equipment, metal structures and electric motors	130,284	100	131,497	130,480	174
Indirectly held subsidiaries						
Zhongshan GSI Marine Engineering Company Limited	Designing, processing, installing, manufacturing and selling; import and export of ships and auxiliary machines, metal structures and components, marine engineering equipment and technologies	70,000	100	88,939	41,715	570
Guangdong GSI Elevator Co., Ltd.	Production and sale of elevators	2,100	100	7,807	4,440	31
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Providing labour services, as well as installation, welding, derusting, and painting of ships	500	100	3,956	29	-659
Guangzhou Hongfan Technology Co., Ltd.	Development of computer software, system integration, and hardware sales, etc.	500	51	4,367	3,433	9
Guangzhou Xingshun Marine Services Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	200	100	3,644	2,522	95
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, shearing press, shield machine, hydraulic machinery	18,861	100	23,359	12,203	78
Guangzhou United Steel Structures Limited	Manufacturing of steel structures; manufacturing of steel structures and parts; installation services for construction steel structures and prefabricated structures	US\$8.85 million	100	29,812	14,769	463
Glory Group Development Limited	Business service industry	HK\$30 million	100	14,579	9,700	2,384
Fonkwang Development Limited	General trading	HK\$200,000	80	18,003	5,528	2,065
Fonkwang (Macau) Development Single Person Co., Ltd.	General trading	MOP100,000	100	402	253	98
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Design, construction, renovation and repair of marine engineering vessels and platforms	5,000	100	1,929	1,149	0
Guangzhou Hongfan Hotel Co., Ltd.	Tourism and catering	11,940	100	13,822	11,984	80
Guangzhou Longxue Pipe Co., Ltd.	Ferrous metal smelting and rolling industry	7,000	42.86	11,554	5,754	629
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	434,343	59,242	87
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	800	306	0

SECTION IV REPORT OF THE BOARD

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the period
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	6,800	100	31,961	6,740	83
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	11,000	100	35,864	9,949	56
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	1,961	361	-5
Guangzhou Longxue Properties Co., Ltd.	Property industry	150	66.67	21	17	-2
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	80.50	831	295	17

II. OTHER DISCLOSURE

Potential risks

- Financial risks. The Group's financial risks mainly include exchange rate risk and interest rate risk.
 - 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. Since 2017, the exchange rate of Renminbi against US dollars stabilized. In general, there is still room for the depreciation of Renminbi against US dollars in the short term, but the depreciation trend of Renminbi is expected to be weakened. In the long term, there will be no significant depreciation of Renminbi. The fluctuations of Renminbi in both ways will become more frequent and the degree of fluctuations will be further extended, subject the Group to exchange rate fluctuations.
 - 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.
- Market risk. Amid continuous downturn of global economy and further depression of the shipbuilding market, certain ship owners may be in financial difficulty and may cancel orders, abandon ships, delay the confirmation of delivery and payment or revise the contracts. As such, there is risk of default for certain orders on hand of the Company, which may affect the collection progress of the Company, increase the risk for collection of accounts receivable, affect the production progress and production efficiency and increase the risk for cost control.
- Risk of human resources. The Group is a labour-intensive manufacturing enterprise and is subject to production and management risks as a result of the staff turnover and rising labour costs due to the relocation of the Liwan Plant.

I. INFORMATION ON GENERAL MEETINGS

Session of meeting	Date of meeting	Index for details on websites designated for publishing resolutions
Annual general meeting of 2016	26 May 2017	www.see.com.cn www.hkexnews.hk
First extraordinary general meeting of 2017	29 August 2017	www.see.com.cn www.hkexnews.hk

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

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

Whether or not distribution or conversion into share capital	No
Number of bonus 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)	–
Description of the plan for profit distribution or conversion of capital reserve into share capital	–

III. FULFILLMENT OF UNDERTAKINGS

(i) Undertakings made by the actual controller, shareholders, connected persons, buyers and the relevant parties of the Company made or effective during the Reporting Period

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

SECTION V SIGNIFICANT EVENTS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner
Undertaking relating to the material asset reorganisation	Selling restriction for 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
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 industrial 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
Undertaking relating to the material asset reorganisation	Others	CSSC	1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to removal, transportation and installation of some of the assets to be demolished due to relocation shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard; 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, the Company will make full supplements in cash within 90 days after relevant government compensation is in place.	Made on 3 March 2015	No	Yes

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

IV. MATERIAL LITIGATIONS AND ARBITRATIONS

(i) Litigations and arbitrations not disclosed in extraordinary announcements or with progress in the follow-up implementation

Unit: RMB in ten thousand Currency: RMB

During the Reporting Period:

Claimant	Respondent	Party jointly and severally responsible	Types of litigations and arbitrations	Basic information on litigations or arbitrations	Amount involved in litigations or arbitrations	Whether estimated liabilities have arisen from litigations or arbitrations	Progress of litigations or arbitrations	Outcome and impact of litigations or arbitrations	Implementation of judgement for litigations or arbitrations
CSSC Offshore & Marine Engineering (Group) Company Limited	Jiangsu Shenghua Shipbuilding Company Limited	Nanjing Shenghua Shipbuilding Company Limited	Filed the law suit	On 31 December 2010, the Company and its subsidiary Guangzhou Guangli Shipbuilding Human Resources Service Company Limited ("Guangli") filed four lawsuits at the Zhenjiang Intermediate People's court of Jiangsu province, being a case on the Company's claim against Jiangsu Shenghua for return of properties, a case on technical service contract dispute, and the cases on Guangli's claim against Jiangsu Shenghua for 79,600 ton bulk carriers 1# and 2# instalment work contract disputes. On 4 June 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua, and Jiangsu Shenghua had returned all the related assets. 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# 79,600 DWT bulk carriers, please refer to the "Significant Events – (j) Significant Litigations and Arbitrations" in the annual report of the Company for the year 2011 for details.	1,934	No	The Company attended the second meeting of creditors on 27 April 2017 and received a ruling made by Zhenjiang Intermediate Court on 17 May 2017 which approved the proposal for bankruptcy and realization of properties of Jiangsu Shenghua. The valuation of the existing properties, land and structures erected thereon and machinery and equipment of Jiangsu Shenghua was completed, and its ships under construction were still under valuation. In the next step, the property manager will realize and auction these assets as a whole.	Shenghua became bankrupt and the enforcement terminated.	After the case was closed through court mediation, Jiangsu Shenghua failed to perform the mediation agreement, and the Company applied on 8 November 2011 to the court for enforcement of the case.

(ii) Other explanations

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. On 10 April 2017, Huangpu Wenchong filed an arbitration at London Maritime Arbitration Tribunal in relation to the performance by the guarantor for two ships being H3069 and H3070 of its guarantee obligations. The case is still in the process.

SECTION V SIGNIFICANT EVENTS

V. MATERIAL CONNECTED TRANSACTIONS

(i) Connected transactions related to daily operation

Unit: RMB in ten thousand

No.	Content and type of transaction	Cap approved at general meeting	Actual transaction amount	Proportion of total amount of transactions of the same type (%)	Pricing basis
1	Products and services provided by the Group to CSSC				
1.1	Provision of electrical and mechanical engineering equipment, and metallic accessories	346,410.00	58,696.21	5.71	Market price
1.2	Supply of utilities	8,301.00	1,840.62	79.45	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 supply and technical services	19,715.00	5,254.46	47.19	On terms no less favourable to the Group than terms available from independent third parties
2	Products, leasing services and labour services provided by CSSC to the Group				
2.1	Provision of electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	1,100,204.00	209,501.42	23.97	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	75,788.00	18,682.09	22.57	On terms no less favourable to the Group than terms available from independent third parties or market price
3	Financial services provided by CSSC				
3.1	Deposits (amount)	780,000.00	275,888.03	32.74	Benchmark deposit interest rate set by the People's Bank of China
3.2	Interest on deposits	17,550.00	3,030.72	26.70	
3.3	Loans (amount)	960,000.00	340,114.80	23.60	No more than benchmark loan interest rate set by the People's Bank of China
3.4	Interest on loans	47,040.00	8,623.60	45.27	
3.5	Other credit services (amount)	800,000.00	105,205.36	10.50	On terms no less favourable to the Group than terms available from independent third parties
3.6	Other credit services (handling fee)	1,220.00	3.24	0.56	On terms no less favourable to the Group than terms available from independent third parties
3.7	Forward exchange settlement	850,000.00	3,433.80	24.93	On terms no less favourable to the Group than terms available from independent third parties
3.8	Entrusted assets management services (amount)	500,000.00	100,100.00	100.00	On terms no less favourable to the Group than terms available from independent third parties
3.9	Entrusted assets management services (interest)	25,000.00	2,650.72	100.00	
4	Guarantees				
4.1	Maximum guarantee amount provided by the Company for CSSC and its members	0	-	-	None
4.2	Expenses incurred in relation to the guarantee amount provided by the Company for CSSC and its members	0	-	-	
4.3	Maximum guarantee amount provided by the CSSC Group and its members for the Company	700,000	-	-	Guarantee fee of no more than 0.6%
4.4	Expenses incurred in relation to the guarantee amount provided by CSSC and its members for the Company	4,200	-	-	
5	Ship sales agency services provided by CSSC				
5.1	Ship sales agency	9,700.00	1,685.52	15.01	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 CSSC				
6.1	Materials purchase agency	1,600.00	207.33	100.00	1-2% of the contract price

SECTION V SIGNIFICANT EVENTS

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

Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation

At the 38th meeting of the eighth session of the Board and the first extraordinary meeting of 2017 held on 14 July and 29 August 2017, respectively, the resolution on the transfer of 51% equity interest in GSI Yangzhou Co., Ltd. and connected transaction was considered and passed, pursuant to which 51% equity interest in GSI Yangzhou, a wholly-owned subsidiary of the Company, will be transferred to CSSC, the controlling shareholder of the Company, as agreed at a consideration of RMB741,158,500. For details, please refer to the announcement dated 14 July 2017 on the transfer by CSSC Offshore & Marine Engineering (Group) Company Limited of 51% equity interest in GSI Yangzhou Co., Ltd. and connected transaction, and the announcement dated 29 August 2017 on the results of the first extraordinary meeting of 2017 of CSSC Offshore & Marine Engineering (Group) Company Limited published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

(iii) Other material connected transactions

At the 39th meeting of the eighth session of the Board of the Company held on 27 July 2017, the resolution on the waiver by Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company, of its right to the proportional capital increase of CSSC Liner Technology Development Co., Ltd. and connected transaction was passed, approving the waiver by GSI, a wholly-owned subsidiary of the Company, of its right to the proportional capital increase of Liner Technology. For details, please refer to the announcement in relation to the waiver by Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company, of its right to the proportional capital increase of CSSC Liner Technology Development Co., Ltd. and connected transaction published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 27 July 2017.

VI. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Trust, contracting and lease matters

1 Lease

Unit: RMB in ten thousand Currency: RMB

Lessor name	Name of lessee	Leased assets	Date of commencement of lease	Date of expiry of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not	Relationship
Guangzhou Ship Industrial Company	Huangpu Wenchong	Land, buildings and structures	2014.5.1	-	-	-	-	Yes	Sister company of the Group
Guangzhou Ship Industrial Company	Wenchong Shipyard	Land, buildings and structures	2014.5.1	-	-	-	-	Yes	Sister company of the Group
Guangzhou Shipyard Industrial	GSI	Land, buildings and structures	2014.10.1	2017.12.31	-	-	-	Yes	Other related party
Guangzhou Shipyard Shipping	GSI	Land, buildings and structures	2015.12.1	2017.12.31	-	-	-	Yes	Other related party
GSI Yangzhou	CSSC Chengxi	Land for industrial use, buildings and structures erected thereon and related ancillary facilities	2017.1.1	2017.12.31	2,894.05	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 structures and equipment	2015.9.30		678.07	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

SECTION V SIGNIFICANT EVENTS

Lessor name	Name of lessee	Leased assets	Date of commencement of lease	Date of expiry of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not	Relationship
Guangzhou Shipyard Co., Ltd.	Guangdong GSI Elevator Co., Ltd.	Land, buildings and structures	2017.5.1	2020.4.30	-	-	-	Yes	Sister company of the Group
Guangzhou Shipyard Shipping	Guangli Shipbuilding Human Resources Service Company Limited	Land, buildings and structures	2017.1.1	2017.6.30	-	-	-	Yes	Other related party

Description of leases

Note 1. In 2014, Guangzhou Ship Industrial Company ("Guangzhou Company"), Huangpu Wenchong and 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. 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 and Wenchong Shipyard is completed and they commence formal production at the 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 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 center building located at 40 South Fangcun Main Road, Liwan District, Guangzhou City with a total site area of 393,793 sq.m. and buildings and structures thereon to GSI for a term of 25 months commencing on 1 December 2015. According to the relevant agreements, the aforesaid Lease Agreement continued to be performed. For details, please refer to the announcement published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (comec.cssc.net.cn) on 16 December 2015.

Note 4. 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 RMB15,091,500 and RMB67,661,400 respectively. In January 2017, GSI Yangzhou and CSSC Chengxi entered into an assets lease Agreement, pursuant to which GSI Yangzhou shall continue to 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 ending on 31 December 2017. The rent for the first half of 2017 amounted to RMB28,940,500.

Note 5. In 2016, 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. Formal property lease contract will be re-entered into upon project acceptance and settlement. Under the aforesaid framework agreement and based on the actual use of the staff quarter (including utilities expenses), the rent for such staff quarter for the first half of 2017 was approximately RMB6,780,700 in total.

Note 6. On 21 March 2017, Guangdong GSI Elevator Co., Ltd., a subsidiary of the Company, entered into a Guangzhou property lease contract with Guangzhou Shipyard Co., Ltd., pursuant to which Guangzhou Shipyard Co., Ltd. agreed to lease the property located at 5/F, 138 Gexin Road, Haizhu District, Guangzhou (real estate certificate No. C5985991) with gross floor (or usage) area of 815.2 sq.m. to Guangdong GSI Elevator Co., Ltd. for use as office building for a term of 36 months.

Note 7. On 26 December 2016, Guangzhou Guangli Shipbuilding Human Resources Service Company Limited, a subsidiary of the Company, and Guangzhou Shipyard Co., Ltd. entered into a supplemental agreement to the property and equipment lease agreement to extend the term of the property and equipment lease agreement to 30 June 2017.

SECTION V SIGNIFICANT EVENTS

(ii) Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and the Company	Guaranteed party	Amount of guarantee	External guarantees by the Company (excluding guarantees for its subsidiaries)							Overdue amount of guarantee	Existence of counter guarantee	Whether provided for related party	Relationship
				Date of guarantee (date of signing of agreement)	Date of commencement of guarantee	Guarantees Date of expiry	Type of guarantee	Whether fully executed	Whether overdue					
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantees during the Reporting Period (excluding guarantees provided for its subsidiaries)													-	
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)													-	
Guarantees provided by the Company for its subsidiaries														
Total amount of guarantees provided for its subsidiaries during the Reporting Period													352,000,000.00	
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period (B)													1,552,000,000.00	
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)														
Total amount of guarantees (A+B)													1,552,000,000.00	
Total amount of guarantees as a percentage of the Company's net assets (%)													13.12	
Including:														
Amount of guarantees provided for shareholders, actual controllers and related parties (C)													-	
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)													-	
Total amount of guarantees in excess of 50% of net assets (E)													-	
Sum of the above three guarantees (C+D+E)													-	
Description of outstanding guarantees which may incur several and joint liability													-	
Explanatory note regarding the guarantees							During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB1,552 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 RMB552 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 2017 and their amounts has not been exceeded.							

SECTION V SIGNIFICANT EVENTS

VII. POVERTY ALLEVIATION MEASURES OF THE COMPANY

1. Targeted poverty alleviation plan

The Group conscientiously implemented the arrangements of the Party Central Committee and the State Council on the poverty alleviation work and the spirit of the central poverty alleviation and development work conference and the central enterprise poverty alleviation and development work conference by promoting three-year "targeted poverty alleviation". Under the leadership of the provincial party committee and government at various levels, the Group carried out poverty alleviation through poverty alleviation efforts in various areas including financial assistance, skill training, educational assistance, partnered poverty alleviation and stationed village cadres.

2. Overview of targeted poverty alleviation during the Reporting Period

In the first half of 2017, the Group actively followed the requirements for targeted poverty alleviation, donated RMB360,000 to He'an village, Xuwen County, Guangdong Province, and organised employees to support the development of the cultivation industry of Heqing County, Yunnan Province.

3. Targeted poverty alleviation measures of the Company during the Reporting Period

Unit: RMB in ten thousand Currency: RMB

Indicator	Number and relevant information	
I. General information		
Including: 1. Cash		36
2. Number of records established for poor people who have got out of poverty (person)		202
II. Investment by project		
1. Poverty alleviation through industrial development		
Including: 1.1 Types of industrial poverty alleviation projects	Agriculture and forestry industry poverty alleviation	
1.2 Number of industrial poverty alleviation projects		5
1.3 Amount of investment in industrial poverty alleviation projects		3
1.4 Number of records established for poor people who have got out of poverty (person)		8
2. Job transfer poverty alleviation		
Including: 2.1 Amount of investment in vocational skills training		1
2.2 Number of persons receiving vocational skills training		20/1
2.3 Number of records established for poor people who have become employed (person)		3
3. Education poverty alleviation		
Including: 3.1 Amount of assistance provided to poor students		2.5
3.2 Number of poor students receiving assistance (person)		25
4. Health poverty alleviation		
Including: 4.1 Amount of investment in medical resources in poverty areas		0.5
5. Ecological protection and poverty alleviation		
Including: 5.1 Name of project	Others	
5.2 Amount of investment		5

SECTION V SIGNIFICANT EVENTS

Indicator			Number and relevant information
6.	Minimum protection		
Including:	6.1	Amount of investment in helping “Three Left Behind” people	3
	6.2	Number of “Three Left Behind” people (person)	8
	6.3	Number of poor people and people with disabilities receiving assistance (person)	1
	6.4	Number of poor people and people with disabilities receiving assistance (person)	6
7.	Other projects		
Including:	7.1	Number of projects	1
	7.2	Amount of investment	20
	7.3.	Number of records established for poor people (person)	191
III.	Awards received (content and class)		

4. Subsequent targeted poverty alleviation plan

The Group will continue to follow the requirements of Guangdong Province and CSSC for targeted poverty alleviation and actively carry out industrial poverty alleviation and livelihood poverty alleviation in order to actively fulfill its responsibilities as a listed company.

VIII. CORPORATE GOVERNANCE

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

1. Corporate governance

The Company kept improving its corporate governance structure in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations issued by the China Securities Regulatory Commission and the requirements of the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. To date, the Company's governance had no material difference from the Company Law and relevant regulations of the China Securities Regulatory Commission. During the six months ended 30 June 2017, the Company has applied the codes set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has complied with all the code provisions, except that for the purpose of Code Provision A.6.7 of the CG Code, Mr. Chen Zhongqian, Mr. Xiang Huiming and Mr. Chen Ji, being executive Directors, Mr. Yang Li and Mr. Wang Guozhong, being non-executive Directors, were unable to attend the annual general meeting of the Company for the year 2016 held on 26 May 2017 for work reason, and Mr. Chen Zhongqian and Mr. Xiang Huiming, being executive Directors, Mr. Yang Li and Mr. Wang Guozhong, being non-executive Directors, and Mr. Min Weiguo, being independent Director, were unable to attend the first extraordinary general meeting of the Company for the year 2017 held on 29 August 2017 for work reason.

2. Securities transactions by Directors

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

3. Meetings of the Board

To date a total of six meetings (including four meetings held in writing) were held by the Board. All Directors attended these meetings (including attendance by proxy).

In addition, the Audit Committee held five meetings to review issues including the annual report of the Company for the year 2016, the report on the internal control review, the first quarterly report for the year 2017 and the interim report for the year 2017; and the Emolument and Examination Committee held one meeting to review the report on the remuneration of Directors, Supervisors and senior management of the Company for the year 2016. To date, the general meeting of the Company, the Board and the management performed their specific responsibilities and regulated corporate operation to ensure the true, accurate, complete, timely and fair disclosure of corporate information. Specialized committees of the Board carried out works in accordance with their respective duties, and independent non-executive Directors played an important role in the work of Board.

4. Repurchase, disposal or redemption of securities of the Company

During the Reporting Period, the Group had not repurchased, disposed of or redeemed any securities of the Company.

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGE IN SHARE CAPITAL

(i) Statement of changes in shares

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

(ii) Changes in shares subject to selling restriction

Unit: Share

Name of shareholder	Number of shares subject to selling restriction at the beginning of the period	Number of shares with selling restriction removed during the Reporting Period	Number of shares subject to selling restriction imposed during the Reporting Period	Number of shares subject to selling restriction at the end of the Reporting Period	Reason for selling restriction	Date of removal of selling restriction
CSSC	272,099,300	0	0	272,099,300	Subscribed for A shares and undertook not to transfer within 36 months	9 April 2018
CSSC (Hong Kong) Shipping	345,940,890	345,940,890	0	0	Subscribed for H shares and undertook not to transfer within 36 months	10 February 2017
Total	618,040,190	345,940,890	0	272,099,300	/	/

II. SHAREHOLDERS

(i) Total numbers of shareholders:

Total number of ordinary shareholders at the end of the Reporting Period 69,493

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

(ii) Shareholding of top ten shareholders at the end of the Reporting Period

Unit: Share

Name of shareholder (full name)	Shareholding of top ten shareholders				Number of shares held subject to selling restrictions	Pledged or locked up Status	Number	Nature of shareholder
	Increase/decrease during the Reporting Period	Number of shares held at end of the period	Percentage (%)					
HKSCC NOMINEES LIMITED	77,810	588,806,679	41.66		0	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
Central Huijin Asset Management Ltd.	0	15,126,100	1.07		0	None	0	State-owned legal-person
China Construction Bank Corporation – Penghua China Securities National Defense Index Grading Securities Investment Fund	-5,593,009	10,331,902	0.73		0	None	0	Others
China Construction Bank Corporation – Fulgoal China Securities Military Index Grading Securities Investment Fund	-1,385,815	7,443,058	0.53		0	None	0	Others
Yangzhou Kejin Shipyard Co., Ltd.	-16,123,708	6,500,000	0.46		0	Pledged	6,500,000	Domestic non-state-owned legal person
China Life Insurance Co., Ltd. – Dividend – Individual dividend – 005L – FH002Hu	6,349,764	6,349,764	0.45		0	None	0	Others
Wu Zhizhuan	2,623,708	6,123,708	0.43		0	None	0	Domestic natural person
Xi'an Investment Holding Co., Ltd.	0	5,291,159	0.37		0	None	0	Domestic non-state-owned legal person

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Top ten holders of shares subject to selling restriction and conditions

Unit: Share

No.	Name of holder of shares subject to selling restriction	Number of shares held subject to selling restriction	Trading in shares subject to selling restriction		
			Date of commencement of trading	Number of new shares tradable	Condition
1	CSSC	272,099,300	9 April 2018	272,099,300	Undertook not to transfer within 36 months

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

As at 30 June 2017, 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 at the end of the period (share)	Capacity	Approximate shareholding percentage of issued H Shares (%)	Approximate shareholding percentage of issued A Shares (%)	Percentage of total issued share capital (%)
CSSC	A Shares	501,745,100(L)	Beneficial owner	-	61.08	35.50
CSSC (Hong Kong) Shipping	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 30 June 2017.

SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

During the Reporting Period, there were no changes in the shareholding of existing Directors, Supervisors or senior management.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There were no changes in the Directors, Supervisors or senior management of the Company during the Reporting Period.

III. OTHER EXPLANATIONS

(1) Equity interest of Directors, Supervisors and Senior Management

During the Reporting Period and up to 30 June 2017, the Company had not received any notice sent by any director, supervisor or senior management in accordance with section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers to the Company and the Hong Kong Stock Exchange, disclosing any equity or debt securities held by such director, supervisor or senior management or their spouses or children under 18 in the Company or any associated corporations (within the meaning of the SFO). No other interests have been recorded in the register, which is required in accordance with section 352 of the SFO. No directors, supervisors or senior management or their spouses or children under 18 had been granted or exercised any rights to subscribe any share or debts of the Company.

(2) Employees and remuneration policies

The remuneration of the Group's employees includes salary, bonus and other benefit plans required by the State. The Group applies different rates of remuneration for different employees, which are determined based on their positions and performance pursuant to the relevant PRC laws and regulations. As at 30 June 2017, the Group had 19,952 employees. As at 30 June 2017, the remuneration paid by the Group to employees was RMB1,123 million in aggregate.

SECTION VIII FINANCIAL REPORT

FINANCIAL STATEMENTS

Consolidated Balance Sheet 30 June 2017

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand		8,426,013,582.72	12,347,969,978.26
Settlement reserve			
Placements with banks and other financial institutions			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		61,291,937.59	122,945,274.57
Accounts receivable		1,705,230,847.51	1,280,968,787.17
Prepayments		2,434,807,816.11	2,372,345,688.47
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Interest receivable		93,930,722.87	138,243,843.26
Dividends receivable			
Other receivables		74,131,697.64	72,448,156.82
Financial assets purchased under agreements to resell			
Inventories		13,253,412,166.59	12,349,605,017.16
Assets classified as held for sale		701,000,000.00	
Non-current assets due within one year		1,728,672,403.22	1,892,964,428.05
Other current assets			
Total current assets		28,478,491,174.25	30,577,491,173.76
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets		19,115,391.33	18,902,353.05
Held-to-maturity investments			
Long-term receivables		465,115,030.48	478,791,643.97
Long-term equity investments		71,146,904.29	68,961,676.66
Investment properties		22,565,719.76	22,880,075.84
Fixed assets		10,635,646,090.19	10,906,714,094.44
Construction in progress		775,560,204.68	670,750,840.41
Construction materials			
Disposal of fixed assets		5,029,274.40	2,572,359.05
Productive biological assets			
Oil and gas assets			
Intangible assets		1,981,715,552.83	2,000,393,192.52
Development expenses			
Goodwill			
Long-term prepaid expenses		11,839,506.54	17,049,706.48
Deferred tax assets		500,596,687.00	502,717,150.15
Other non-current assets		300,000,000.00	1,001,361,563.30
Total non-current assets		14,788,330,361.50	15,691,094,655.87
Total assets		43,266,821,535.75	46,268,585,829.63

SECTION VIII FINANCIAL REPORT

Consolidated Balance Sheet (Continued) 30 June 2017

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings		1,450,562,726.06	445,636,500.54
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		655,224.92	
Derivative financial liabilities			
Notes payable		1,336,659,948.06	1,916,069,525.06
Accounts payable		6,873,200,038.42	7,263,636,176.96
Advances from customers		736,529,183.07	596,195,202.34
Securities sold under agreements to repurchase			
Fee and commission payable			
Employee benefits payable		97,617,874.40	59,354,143.31
Taxes payable		71,208,900.40	127,111,097.76
Interest payable		18,173,157.90	11,109,426.83
Dividends payable		30,656,057.74	3,806,004.54
Other payables		260,660,354.52	358,190,436.06
Reinsured accounts payable			
Reserve for insurance contracts			
Brokerage for trading securities			
Brokerage for underwriting securities			
Liabilities classified as held for sale			
Non-current liabilities due within one year		5,582,400,000.00	5,675,200,000.00
Other current liabilities		6,726,514,758.16	8,814,232,495.28
Total current liabilities		23,184,838,223.65	25,270,541,008.68
Non-current liabilities:			
Long-term borrowings		7,376,857,000.00	8,338,557,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable		265,684,940.53	279,398,049.27
Special payables		99,370,000.00	1,390,339,744.58
Estimated liabilities		458,125,843.37	510,937,159.71
Deferred income		48,831,224.86	67,514,328.51
Deferred tax liabilities		499,094.19	499,094.19
Other non-current liabilities			
Total non-current liabilities		8,249,368,102.95	10,587,245,376.26
Total liabilities		31,434,206,326.60	35,857,786,384.94

SECTION VIII FINANCIAL REPORT

Consolidated Balance Sheet (Continued) 30 June 2017

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Owners' equity			
Share capital		1,413,506,378.00	1,413,506,378.00
Other equity instruments Including: Preference shares Perpetual bonds			
Capital reserve		6,867,866,279.63	6,867,866,279.63
Less: Treasury shares			
Other comprehensive income		-60,228,179.17	-60,441,217.45
Special reserve		3,958,118.83	929,231.60
Surplus reserve		952,284,741.72	952,284,741.72
General reserve			
Undistributed profit		1,195,013,809.28	1,173,657,685.44
Total equity attributable to owners of the Company		10,372,401,148.29	10,347,803,098.94
Minority interests		1,460,214,060.86	62,996,345.75
Total owners' equity		11,832,615,209.15	10,410,799,444.69
Total liabilities and owners' equity		43,266,821,535.75	46,268,585,829.63

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Balance Sheet of the Company 30 June 2017

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand		122,525,180.51	118,028,234.52
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		1,005,000.00	1,949,644.23
Accounts receivable		34,613,642.20	40,039,348.35
Prepayments		1,557,367.10	15,853,238.36
Interest receivable		510,250.00	270,183.33
Dividends receivable			
Other receivables		5,275,886.18	1,857,655.78
Inventories		144,341,506.07	145,497,894.81
Assets classified as held for sale			
Non-current assets due within one year		300,000,000.00	
Other current assets		25,909,102.25	22,772,600.20
Total current assets		635,737,934.31	346,268,799.58
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables		100,000,000.00	600,000,000.00
Long-term equity investments		8,535,717,482.56	8,535,717,482.56
Investment properties			
Fixed assets		76,138,686.59	79,621,477.01
Construction in progress			
Construction materials			
Disposal of fixed assets		2,721,705.19	2,467,859.05
Productive biological assets			
Oil and gas assets			
Intangible assets		10,953,681.54	11,115,333.18
Development expenses			
Goodwill			
Long-term prepaid expenses		173,005.72	343,667.20
Deferred tax assets		20,000,000.00	20,000,000.00
Other non-current assets			
Total non-current assets		8,745,704,561.60	9,249,265,819.00
Total assets		9,381,442,495.91	9,595,534,618.58

SECTION VIII FINANCIAL REPORT

Balance Sheet of the Company (Continued) 30 June 2017

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings			17,500,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		52,369,602.59	88,485,154.94
Advances from customers		70,286,756.23	77,013,708.94
Employee benefits payable		1,416,228.24	1,323,940.47
Taxes payable		2,689,456.61	3,497,568.96
Interest payable		321,180.56	339,166.66
Dividends payable		22,792,057.74	498,004.54
Other payables		22,042,691.07	22,045,279.71
Liabilities classified as held for sale			
Non-current liabilities due within one year		300,000,000.00	482,500,000.00
Other current liabilities			
Total current liabilities		471,917,973.04	693,202,824.22
Non-current liabilities:			
Long-term borrowings		100,000,000.00	100,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables		99,370,000.00	99,370,000.00
Estimated liabilities			4,543,266.47
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		199,370,000.00	203,913,266.47
Total liabilities		671,287,973.04	897,116,090.69
Owners' equity:			
Share capital		1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		6,147,927,729.10	6,147,927,729.10
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		462,411,586.54	462,411,586.54
Undistributed profit		686,308,829.23	674,572,834.25
Total owners' equity		8,710,154,522.87	8,698,418,527.89
Total liabilities and owners' equity		9,381,442,495.91	9,595,534,618.58

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Consolidated Income Statement From January to June 2017

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Total operating income		10,417,531,197.45	11,359,948,288.79
Including: Operating income		10,417,531,197.45	11,359,948,288.79
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		10,422,769,520.14	11,427,889,285.16
Including: Operating costs		9,569,573,977.38	10,635,670,335.59
Interest expense			
Fee and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policy dividend payment			
Reinsured expenses			
Taxes and surcharges		34,472,271.94	11,239,441.71
Selling expense		82,600,434.36	100,032,415.61
Administrative expense		523,351,934.09	595,934,762.38
Finance cost		198,463,829.73	9,665,504.45
Loss on impairment of assets		14,307,072.64	75,346,825.42
Add: Gain on change in fair value (Loss expressed with "-")		-655,224.92	149,283,686.40
Investment income (Loss expressed with "-")		26,917,017.63	-74,790,875.31
Including: Income from investments in associates and joint ventures		310,227.63	659,270.82
Exchange gain (Loss expressed with "-")			
Other income		20,209,210.99	
III. Operating profit (Loss expressed with "-")		41,232,681.01	6,551,814.72
Add: Non-operating income		22,812,890.90	66,248,903.45
Including: Gain on disposal of non-current assets		1,501,708.53	740,368.61
Less: Non-operating expenses		977,913.09	5,189,356.38
Including: Loss on disposal of non-current assets		536,575.45	5,026,795.10
IV. Total profit (Loss expressed with "-")		63,067,658.82	67,611,361.79
Less: Income tax expense		11,111,662.08	23,834,214.63
V. Net profit (Net loss expressed with "-")		51,955,996.74	43,777,147.16
Net profit attributable to owners of the Company		43,972,225.89	37,072,739.65
Minority interests		7,983,770.85	6,704,407.51

SECTION VIII FINANCIAL REPORT

Consolidated Income Statement (Continued) From January to June 2017

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
VI. Net other comprehensive income after tax		213,038.28	-331,848.09
Net other comprehensive income after tax attributable to owners of the Company		213,038.28	-331,848.09
(i) Other comprehensive income that may not be subsequently reclassified to profit or loss			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that may not be subsequently reclassified to profit and loss under equity method			
(ii) Other comprehensive income that may be subsequently reclassified to profit or loss		213,038.28	-331,848.09
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		213,038.28	-331,848.09
3. Gain or loss on re-classification of held-to-maturity investment 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 interests			
VII. Total comprehensive income		52,169,035.02	43,445,299.07
Total comprehensive income attributable to owners of the Company		44,185,264.17	36,740,891.56
Total comprehensive income attributable to minority interests		7,983,770.85	6,704,407.51
VIII. Earnings per share:			
(i) Basic earnings per share (RMB/share)		0.0311	0.0262
(ii) Diluted earnings per share (RMB/share)		0.0311	0.0262

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxian

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Income Statement of the Company From January to June 2017

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Operating income		66,553,456.71	251,123,829.80
Less: Operating costs		63,904,733.06	244,088,870.22
Taxes and surcharges		1,254,364.46	707,593.94
Selling expense		1,911,015.90	3,469,573.82
Administrative expense		7,091,310.02	5,885,543.06
Finance cost		-1,554,849.01	-3,903,659.90
Loss on impairment of assets		-1,590,279.73	95,310.11
Add: Gain on change in fair value (Loss expressed with "-")			
Investment income (Loss expressed with "-")		29,280,048.42	93,600,910.09
Including: Income from investments in associates and joint ventures			
Other income		8,123,700.00	
II. Operating profit (Loss expressed with "-")		32,940,910.43	94,381,508.64
Add: Non-operating income		1,411,197.30	10,430,295.90
Including: Gain on disposal of non-current assets			
Less: Non-operating expenses		10.70	100,008.00
Including: Loss on disposal of non-current assets			
III. Total profit (Loss expressed with "-")		34,352,097.03	104,711,796.54
Less: Income tax expense			
IV. Net profit (Net loss expressed with "-")		34,352,097.03	104,711,796.54
V. Net other comprehensive income after tax			
(i) Other comprehensive income that may not be subsequently reclassified to profit or loss			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that may not be subsequently reclassified to profit and loss under equity method			
(ii) Other comprehensive income that may be subsequently reclassified to profit or loss			
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 re-classification of held-to-maturity investment 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		34,352,097.03	104,711,796.54
VII. Earnings per share:			
(i) Basic earnings per share (RMB/share)			
(ii) Diluted earnings per share (RMB/share)			

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongliang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Consolidated Cash Flow Statement From January to June 2017

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		7,271,887,341.46	8,147,137,570.24
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 banks and other financial institutions			
Net increase in sales and repurchase operations			
Cash received from tax refund		402,960,347.59	285,555,572.06
Other cash receipts relating to operating activities		254,225,574.85	273,307,629.45
Sub-total of cash inflows from operating activities		7,929,073,263.90	8,706,000,771.75
Cash paid for goods and services		10,111,095,161.94	11,113,094,923.56
Net increase in loans and advances to customers			
Net increase in central bank and interbank deposits			
Cash paid for claims of direct insurance contracts			
Cash paid for interest, fees and commissions			
Cash paid for dividends of insurance policies			
Cash paid to and on behalf of employees		970,897,488.59	952,616,034.31
Payments of taxes		137,822,452.34	177,761,894.52
Other cash payments relating to operating activities		481,526,701.54	211,045,655.03
Sub-total of cash outflows from operating activities		11,701,341,804.41	12,454,518,507.42
Net cash flows from operating activities		-3,772,268,540.51	-3,748,517,735.67
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		301,875,000.00	170,000,000.00
Cash receipts from investment income		37,947,951.72	41,680,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,253,405.36	675,326.51
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		847,591,065.74	5,649,226,846.42
Sub-total of cash inflows from investing activities		1,188,667,422.82	5,861,582,172.93
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		306,994,349.87	312,405,713.23
Cash paid for investments			1,648,628,357.44
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities		154,390,247.43	5,198,338,115.03
Sub-total of cash outflows from investing activities		461,384,597.30	7,159,372,185.70
Net cash flows from investing activities		727,282,825.52	-1,297,790,012.77

SECTION VIII FINANCIAL REPORT

Consolidated Cash Flow Statement (Continued) From January to June 2017

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
III. Cash flows from financing activities:			
Cash receipts from receiving investments			
Including: Cash received by subsidiaries from receiving investments made by minority interests			
Cash receipts from borrowings obtained		5,018,453,847.68	7,922,524,620.58
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities		105,240,000.00	39,000,000.00
Sub-total of cash inflows from financing activities		5,123,693,847.68	7,961,524,620.58
Cash paid for repayment of debts		5,152,275,425.40	2,754,359,509.51
Cash paid for dividends, profit distribution or interest expenses			
Including: Dividends and profits paid by subsidiaries to minority interests		199,630,423.87	468,573,598.64
Other cash payments relating to financing activities		75,000.00	
Sub-total of cash outflows from financing activities		5,351,980,849.27	3,222,933,108.15
Net cash flows from financing activities		-228,287,001.59	4,738,591,512.43
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-30,843,334.36	118,016,880.45
V. Net increase in cash and cash equivalents		-3,304,116,050.94	-189,699,355.56
Add: Beginning balance of cash and cash equivalents		9,885,435,368.48	9,232,645,596.18
VI. Ending balance of cash and cash equivalents		6,581,319,317.54	9,042,946,240.62

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Cash Flow Statement of the Company From January to June 2017

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		93,354,275.36	675,167,191.61
Cash received from tax refund			75,793,250.24
Other cash receipts relating to operating activities		16,330,002.90	10,980,186.17
Sub-total of cash inflows from operating activities		109,684,278.26	761,940,628.02
Cash paid for goods and services		95,216,606.45	998,225,500.75
Cash paid to and on behalf of employees		16,936,130.29	22,017,827.25
Payments of taxes		4,906,016.86	14,374,129.88
Other cash payments relating to operating activities		16,645,625.02	24,725,637.25
Sub-total of cash outflows from operating activities		133,704,378.62	1,059,343,095.13
Net cash flows from operating activities		-24,020,100.36	-297,402,467.11
II. Cash flows from investing activities:			
Cash receipts from disposal of investments			
Cash receipts from investment income		29,280,048.42	93,600,910.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		507,073,937.51	1,027,743,494.97
Sub-total of cash inflows from investing activities		536,353,985.93	1,121,344,405.06
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		27,791.80	1,079,560.00
Cash paid for investments			3,367,252,991.39
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities		300,000,000.00	
Sub-total of cash outflows from investing activities		300,027,791.80	3,368,332,551.39
Net cash flows from investing activities		236,326,194.13	-2,246,988,146.33
III. Cash flows from financing activities:			
Cash receipts from receiving investments			
Cash receipts from borrowings obtained		300,000,000.00	
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		300,000,000.00	
Cash paid for repayment of debts		500,000,000.00	
Cash paid for dividends, profit distribution or interest expenses		7,280,361.36	6,174,375.00
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		507,280,361.36	6,174,375.00
Net cash flows from financing activities		-207,280,361.36	-6,174,375.00
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-528,786.42	14,467.81
V. Net increase in cash and cash equivalents		4,496,945.99	-2,550,550,520.63
Add: Beginning balance of cash and cash equivalents		88,028,234.52	2,724,187,025.99
VI. Ending balance of cash and cash equivalents		92,525,180.51	173,636,505.36

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxian

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Consolidated Statement of Changes in Owners' Equity From January to June 2017

Unit: Yuan Currency: RMB

Item	Current period												
	Equity attributable to owners of the parent Company												Total owners' equity
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Undistributed profit	Minority interest	
Share capital	Preference shares	Perpetual bonds	Others										
I. Balance at the end of the previous 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
Add: Change in accounting policy													
Correction of previous errors													
Business combination under common control													
Others													
II. Balance at the beginning of the year	1,413,506,378.00			6,867,866,279.63		-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
III. Increase/decrease for the period (Decrease expressed with "-")													
(i) Total comprehensive income							213,038.28	3,028,887.23			21,356,123.84	1,397,217,715.11	1,421,815,764.46
(ii) Capital paid in and reduced by owners							213,038.28				43,972,225.89	7,983,770.85	52,169,035.02
1. Ordinary shares paid by shareholders												1,394,949,944.26	1,394,949,944.26
2. Capital paid by holders of other equity instruments													
3. Amount of share-based payments recognised in owners' equity													
4. Others													
(iii) Profit distribution											-22,616,102.05	-5,716,000.00	-28,332,102.05
1. Transfer to surplus reserve													
2. Transfer to general reserve													
3. Distribution to owners (shareholders)											-22,616,102.05	-5,716,000.00	-28,332,102.05
4. Others													
(iv) Transfer within owner's equity													
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(v) Special reserve								3,028,887.23					3,028,887.23
1. Transfer in the current period								23,490,875.48					23,490,875.48
2. Utilised in the current period								20,461,988.25					20,461,988.25
(vi) Others													
IV. Balance at the end of the current period	1,413,506,378.00			6,867,866,279.63		-60,228,179.17		3,958,118.83	952,284,741.72		1,195,013,809.28	1,460,214,060.86	11,832,615,209.15

SECTION VIII FINANCIAL REPORT

Consolidated Statement of Changes in Owners' Equity (Continued) From January to June 2017

Unit: Yuan Currency: RMB

Item	Current period												
	Equity attributable to owners of the parent Company												Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Undistributed profit	Minority interest	
Preference shares		Perpetual bonds	Others										
I. Balance at the end of the previous year	1,413,506,378.00			6,867,585,222.21		-60,166,725.82		943,767,421.48		1,153,355,946.59	50,608,871.03	10,368,657,113.49	
Add: Change in accounting policy													
Correction of previous errors													
Business combination under common control													
Others													
II. Balance at the beginning of the year	1,413,506,378.00			6,867,585,222.21		-60,166,725.82		943,767,421.48		1,153,355,946.59	50,608,871.03	10,368,657,113.49	
III. Increase/decrease for the period (Decrease expressed with "-")													
(i) Total comprehensive income						-331,848.09	1,253,325.94			-5,332,451.69	4,824,857.51	413,883.67	
(ii) Capital paid in and reduced by owners						-331,848.09				37,072,739.65	6,704,407.51	43,445,239.07	
1. Ordinary shares paid by shareholders													
2. Capital paid by holders of other equity instruments													
3. Amount of share-based payments recognised in owners' equity													
4. Others													
(iii) Profit distribution										-42,405,191.34	-1,879,550.00	-44,284,741.34	
1. Transfer to surplus reserve													
2. Transfer to general reserve													
3. Distribution to owners (shareholders)										-42,405,191.34	-1,879,550.00	-44,284,741.34	
4. Others													
(iv) Transfer within owner's equity													
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(v) Special reserve								1,253,325.94				1,253,325.94	
1. Transfer in the current period								13,333,496.25				13,333,496.25	
2. Utilised in the current period								12,080,170.31				12,080,170.31	
(vi) Others													
IV. Balance at the end of the current period	1,413,506,378.00			6,867,585,222.21		-60,498,573.91	1,253,325.94	943,767,421.48		1,148,023,494.90	55,433,728.54	10,369,070,997.16	

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Statement of Changes in Owners' Equity of the Parent Company From January to June 2017

Unit: Yuan Currency: RMB

Item	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
I. Balance at the end of the previous year	1,413,506,378.00				6,147,927,729.10				462,411,586.54	674,572,834.25	8,698,418,527.89
Add: Change in accounting policy											
Correction of previous errors											
Others											
II. Balance at the beginning 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
III. Increase/decrease for the period (Decrease expressed with "-")											
(i) Total comprehensive income										34,352,097.03	34,352,097.03
(ii) Capital paid in and reduced by owners											
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										-22,616,102.05	-22,616,102.05
1. Transfer to surplus reserve										-22,616,102.05	-22,616,102.05
2. Distribution to owners (shareholders)										-22,616,102.05	-22,616,102.05
3. Others											
(iv) Transfer within owner's equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(v) Special reserve											
1. Transfer in the current period											
2. Utilised in the current period											
(vi) Others											
IV. Balance at the end of the current period	1,413,506,378.00				6,147,927,729.10				462,411,586.54	666,308,829.23	8,710,154,522.87

SECTION VIII FINANCIAL REPORT

Statement of Changes in Owners' Equity of the Parent Company (Continued) From January to June 2017

Unit: Yuan Currency: RMB

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

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

I. BACKGROUND INFORMATION

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

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

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

Based on the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, 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. Han Guangde

As at 30 June 2017, the total share capital of the Company was 1,413,506,378 shares, of which 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 includes: metal shipbuilding; marine equipment manufacturing; container manufacturing; metal structures manufacturing; metal pressure vessel manufacturing; mechanical parts processing; tempered glass manufacturing; cutting tool manufacturing; other furniture manufacturing; ship repair; general equipment repairs; engineering survey and design; machinery technology transfer services; interior decoration and design; water transport equipment rental services; container leasing services; machinery and equipment leasing; construction general contracting services; overseas dispatch of all kinds of labor service personnel (excluding seamen); provision of docks, barge anchorages, floats and other facilities for ships.

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

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group includes the Company and its 23 subsidiaries, including: Guangzhou Shipyard International Company Limited (“GSI”), Guangzhou Longxue Pipe Co., Ltd. (“Pipe Company”), Guangzhou Kingshun Marine Services Co., Ltd., Guangzhou United Steel Structures Limited, 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 Limited, Fonkwang Development Limited, Fonkwang (Macau) Development Single Person Co., Ltd., Guangchuan Large-scale Machinery and Equipment Co., Ltd., Zhongshan GSI Marine Engineering Company Limited, Guangzhou Shipyard International Marine Engineering Co., Ltd., GSI Yangzhou Co., Ltd. (“GSI Yangzhou”), CSSC Huangpu Wenchong Shipbuilding Company Limited (“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. and Guangzhou Wenchuan Heavy Industrial Co. Ltd.. The number decreased by one compared to last year as the Company disposed of its 37.5% equity interest in Guangzhou Xingji Maritime Engineering Design Co., Ltd. during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

(1) Basis 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 IV Significant Accounting Policies and Estimation to this note.

(2) Going concern

The management of the Company has assessed its ability to operate on a continuing basis for the 12 months from 30 June 2017 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. Statement 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. Reporting currency

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

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

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

For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination under common control are measured at fair value. The cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and the sum of all expenses incurred during the business combination (For business combination achieved in stages, the cost of combination is the sum of cost for each single transaction). Goodwill is recognised 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 asset, 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 recognised in the consolidated non-operating for current period after review.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

6. Preparation of consolidated financial statements

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

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. Proportion of shareholder's equity of the subsidiaries which do not belong to the Company, and proportion of profit or loss for 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 under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statement since the beginning of the period 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 recognised, 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 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 current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, and change to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

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

When the Group loss control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be 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 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 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 recognised as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for current period upon loss of control.

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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, recognises 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 recognised 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 capitalised, 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 recognised.

(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.

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 recognised as investment income; difference between the fair value and the amount initial record, recognised 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 recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation 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 amortisation or impairment are recognised in the income statement.

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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 derecognised, the accumulated change in the amount of fair value previously recorded in equity is transferred to the profit and loss account for the period. Interests for the period in which the assets are held are calculated using the effective interest method is charged to profit or loss for the period as investment income. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as investment income. As for instruments that do not have quotation in active market and the fair values of which cannot be reliably measured, they are measured subsequently at cost.

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

A financial asset is derecognised 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 recognises such financial asset to the extent of its continuous involvement and recognises 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 derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

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

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

The published market price of available-for-sale 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 recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised 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.

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(2) **Financial liabilities**

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

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

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and financial liabilities 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 for derecognition of financial liabilities*

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

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

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

The Group recognises 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 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 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) **Receivables which are individually significant and for which provision for bad debts is made on an individual basis**

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

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

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(2) Accounts receivable which are individually insignificant but for which provision for bad debts is made on an 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) Receivables for which provision for bad debts is made on a 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 investment of the Group is the investment in subsidiaries and investment in associates and investment in joint ventures.

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 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 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 current period on the date of combination.

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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 recognised as investment income for 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 recognised 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 recognised as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Group loss control in the invested company due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal of will be accounted for under available-for-sale financial assets, difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for current period. Other comprehensive income recognised 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 recognised as comprehensive income, and shall be transfer to profit or loss for 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 recognised and provision for bad debts are made based on the differences from the present value of future cash flows lower than its book value.

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15. Investment properties

The investment properties of the Group include leased buildings, which 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 (amortisation) 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 current period.

17. Construction in progress

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for 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 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 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 shall be calculated and determined according to the weighted average interest rate of the general borrowing.

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19. Intangible assets

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

The Group amortizes land use right on the basis of its useful life by straight-line method since it is acquired. The non-patent technology is amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortisation amount is accounted into related assets and current profit and loss. The Group makes the assessment on the estimated useful life and amortisation 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 recognised in profit or loss for the period as incurred.

Expenditure on the development phase will be recognised 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 recognised as an asset in subsequent period. Capitalised expenditure on the development phase are stated in the balance sheet as "Development Expenditure" and transfer to as "Intangible assets" when they become ready for their intended use.

20. 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 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 recognised as impairment loss. The above assets impairment loss once recognised, cannot be transferred in the subsequent accounting period.

21. Long-term prepaid expenses

The Group's long-term prepaid expenses included plant renovation expense and berth sideway renovation expense. The expenses are amortized evenly over the estimated benefit period. If the long-term prepaid 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 amortisation period of plant renovation expense and berth sideway renovation expense ranges from 2-6 years.

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22. Employee salaries

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

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

Post-employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Group in order to obtain services from employees, except for the short-term compensation and termination benefits. 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 recognised 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 recognised as net liabilities or net assets. When the defined benefit plan has surplus, the Group will measure the net assets of the defined benefit plan at the lower of the surplus of defined benefit plan and the upper limit of the assets.

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

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

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

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

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

23. Estimated liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group will recognise them as liabilities. The requirements mentioned above are as follows: the assumed responsibilities are actual and real; the fulfilment of obligations will probably to 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 liabilities due to over time discounted is recognised as interest expenses.

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

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24. 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 recognise 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. Revenue recognition

The Group's revenue is mainly derived from shipbuilding and offshore engineering products, ship maintenance, 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 sheet 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 recognised 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 recognised to the extent of the contract costs that can be recovered; and contract costs will be recognised as contract expenses in the period in which they are incurred; if contract costs cannot be recovered, they will be recognised as contract expenses immediately when incurred and contract revenue will not be recognised.

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 recognised at the actual amount of incurred expenditure, and equivalent amount as revenue, zero margin as a result.

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

The Group would usually conduct checking for the progress of ship construction contract at the end of each period. If the estimated cost of the construction contract in total is larger than the estimated income in total, provision shall be made to the estimated loss on contracts, and at the same time increase the assets impairment loss and provision for impairment of inventories – estimated contract loss. Gross profit not recognised before the construction progress reaching 30% (non first-made shipbuilding contract) or 50% (first-made shipbuilding contract), provision for impairment of inventories will not be written back. Gross profit is recognised when the construction progress reached 30% (non first-made shipbuilding contract) or 50% (first-made shipbuilding contract), provision for impairment of inventories 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 impairment of inventories 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 impairment of inventories shall be written back main business cost. On the balance sheet date, carrying value of inventory which formed from the inventory in construction contracts will be analysed, which is the balance of carry value less provision for impairment of inventories. If the carry value is negative, it will be reclassified and list under estimated 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.

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(2) *Ship maintenance*

The Group provides general ship maintenance services. Due to the short repair cycle, the Group recognises revenue and cost when the ship maintenance 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 recognised as capital reserves according to related Federal documents, should also be capitalised in nature, and therefore shouldn't be recognised as government grants.

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

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

The Group classifies government grants as grants relating to assets and grants relating to revenue. Government grants relating to assets are the government subsidy used in the generation of long-term assets through construction or others. Grants relating to income are the government subsidy other than grants relating to assets. For government grants including both component relating to assets and component relating to revenue, different accounting treatments are applied to different components. If it is hard to identify different components, they are classified as government grants relating to revenue.

Government grants relating to assets are written off to reduce the carrying value of the relevant assets or recognised as deferred income. Government grants relating to assets which are recognised as deferred income are included in profit or loss under systematic and reasonable methods over the useful life of the relevant assets. Government grants measured at nominal amounts are recognised directly in profit or loss for current period. If the relevant asset is sold, transferred, scrapped or damaged before the end of its useful life, the relevant deferred income balance that has not been allocated is transferred to the profit or loss of the current period for disposal of the asset.

For government grants relating to revenue, where the grant is a compensation for related cost, 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 relevant costs or expenses are recognised or offset the relevant costs or expenses; where the grant is a compensation for the relevant expenses or losses already incurred, the grant is recognised immediately in profit or loss for current period or offset the relevant costs or expenses.

The government grants received by the Group relating to daily corporate activities are included in other income or offset the relevant costs or expenses; the government grants received by the Group not relating to daily corporate activities are included in non-operating income and expenses.

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Where the Group has obtained loan interest subsidy, different accounting treatment will be applied to two categories, being the payment of interest subsidy to the lending bank and the allocation of interest subsidy to the Group. Where the interest subsidy is paid to the lending bank which provides loan to the Group at a preferential interest rate, the loan is recognised at the actual amount of loan received and the interest expense is computed based on the principal of the loan and the preferential interest rate. Where the interest subsidy is directly paid to the Group, the interest subsidy is utilised to offset the interest expense.

For the repayment of a government grant already recognised, if the carrying value of the asset is offset at initial recognition, the carrying value of the asset is adjusted; the carrying value of the relevant deferred income is offset, and any excess is included in profit or loss. In any other cases, it is directly included in profit or loss.

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 unrecognised 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 is 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 recognised in the current year or carry forward.

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

a. 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.

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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 recognised as loss from impairment of inventories. 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 impairment of inventories could be revised because of the above issues. The adjustment for provision for impairment of inventories could affect 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 recognised 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. at the balance sheet date. 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 tax assets recognised

The estimates for deferred tax assets need include taxable income and applicable tax rate for the future years. The deferred 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 amortisation expense in the future years.

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.

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

31. Change in significant accounting policies and accounting estimates

(1) Change in significant accounting policies

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 – Held-for-trading Non-current Assets, Disposal Groups and Discontinued Operation on 28 April 2017 and the Accounting Standards for Business Enterprises No. 16 – Government Grant on 10 May 2017.

The Group has adopted the Accounting Standards for Business Enterprises No. 42 – Held-for-trading Non-current Assets, Disposal Groups and Discontinued Operation since 28 May 2017, and the existing held-for-trading non-current assets, disposal groups and discontinued operation as at its effective date were accounted for on a prospective basis. The Group has adopted the Accounting Standards for Business Enterprises No. 16 – Government Grant since 12 June 2017, and the existing government grants as at 1 January 2017 were accounted for on a prospective basis. New government grants received during the period from 1 January 2017 to its effective date were adjusted in accordance with the standard. The total effects of the change in accounting policy on the financial statements for the period from January to June 2017 were an increase in the “Other income” item of RMB20,209,210.99, a decrease in the “Administrative expenses” item of RMB27,511,367.25, a decrease in the “Finance costs” item of RMB28,260,000.00, and a decrease in the “Non-operating income” item of RMB75,980,578.24.

(2) Change in significant accounting estimates

During the period, 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	11%
	Modern services industry	6%
City maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

Notes on taxpayers subject to different enterprise income tax rates:

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

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 of three years. The Hi-tech Enterprise qualification of Hongfan Technology is still under review, and its income tax was temporarily paid at a rate of 15% for the period from January to June 2017.

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 of three years, enterprise income tax for the period from January to June 2017 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 of three years, enterprise income tax for the period from January to June 2017 shall still 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 purpose of the financial statement data disclosed below, unless otherwise stated, "Beginning balance" refers to the balance as at 1 January 2017; and "Ending balance" refers to the balance as at 30 June 2017. "Current period" refers to the period from 1 January 2017 to 30 June 2017; and "Corresponding period of last year" refers to the period from 1 January 2016 to 30 June 2016. The currency unit is RMB.

1. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	450,629.31	463,241.63
Bank deposits	6,580,793,903.23	9,884,636,728.42
Other cash at bank and on hand	1,844,769,050.18	2,462,870,008.21
Total	8,426,013,582.72	12,347,969,978.26
Including: Total amount deposited overseas	154,434,640.93	225,936,178.01

Note 1: The breakdown of other cash at bank and on hand of the Group at the end of the period is as follows:

Item	Ending balance	Beginning balance
Credit cards deposits, gift cards	74,785.00	69,785.00
Bank drafts	0.00	265,613.43
Deposit for letters of guarantee and letters of credit	57,434,729.17	594,060,933.44
Project security deposit	3,892,350.00	5,092,920.54
Fixed deposits pledged to secure long- and short-term borrowings	362,807,660.00	197,252,094.37
Security deposit for borrowings	36,983,626.31	0.00
Deposit for bank acceptance bills	200,000,000.00	200,000,000.00
Special housing fund for employees	15,807,579.70	15,717,341.43
Fixed deposits with a term of over 3 months	1,167,768,320.00	1,450,411,320.00
Total	1,844,769,050.18	2,462,870,008.21

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

2. Notes receivable

(1) Types of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	59,291,937.59	111,968,354.58
Commercial acceptance bills	2,000,000.00	10,976,919.99
Total	61,291,937.59	122,945,274.57

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance bills	59,250,518.20	
Total	59,250,518.20	

3. Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	1,738,800,158.40	1,312,727,362.83
Less: Provision for bad debts	33,569,310.89	31,758,575.66
Net amount	1,705,230,847.51	1,280,968,787.17

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

Ageing	Accounts receivable	Ending balance Provision for bad debts	Percentage (%)
Within one year	1,431,939,254.97	7,168,575.50	0.50
1-2 years	247,152,648.29	1,227,031.65	0.50
2-3 years	38,616,800.85	15,171,351.47	39.29
3-4 years	2,680,044.68	13,400.23	0.50
4-5 years	1,831,022.72	431,651.57	23.57
Over 5 years	16,580,386.89	9,557,300.47	57.64
Total	1,738,800,158.40	33,569,310.89	1.93

(Continued)

Ageing	Accounts receivable	Beginning balance Provision for bad debts	Percentage (%)
Within one 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

(2) *Credit period of accounts receivable*

Business	Credit period
Shipbuilding	One month after issue of invoices
Other business	Normally 1 to 6 months

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(3) Breakdown 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 which are individually significant and for which provision for bad debts is made on an individual basis	18,128,000.00	1.04	10,876,800.00	60.00	7,251,200.00	18,128,000.00	1.38	10,876,800.00	60.00	7,251,200.00
Accounts receivable for which provision for bad debts is made on a credit risk feature portfolio basis	1,706,512,334.17	98.15	8,532,686.66	0.50	1,697,979,647.51	1,280,117,698.16	97.52	6,400,110.99	0.50	1,273,717,587.17
Accounts receivable which are individually insignificant but for which provision for bad debts is made on an individual basis	14,159,824.23	0.81	14,159,824.23	100.00	0.00	14,481,664.67	1.10	14,481,664.67	100.00	-
Total	1,738,800,158.40	-	33,569,310.89	-	1,705,230,847.51	1,312,727,362.83	-	31,758,575.66	-	1,280,968,787.17

- 1) Accounts receivable which are individually significant and for which provision for bad debts is made on an individual basis as at the end of the period

Name of entity	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 unrecoverable.

- 2) Accounts receivable in the portfolio for which provision for bad debts is made using balance percentage method

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,431,939,254.97	7,168,575.50	0.50
1-2 years	247,152,648.29	1,227,031.65	0.50
2-3 years	16,275,604.75	81,355.37	0.50
3-4 years	2,680,044.68	13,400.23	0.50
4-5 years	1,406,403.17	7,032.02	0.50
Over 5 years	7,058,378.31	35,291.89	0.50
Total	1,706,512,334.17	8,532,686.66	-

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- 3) *Accounts receivable which are individually insignificant but for which provision for bad debts is made on an individual basis as at the end of the period*

Name of entity	Ending balance			Reasons for provision
	Accounts receivable	Provision for bad debts	Percentage (%)	
TENOVA AUSTRALIA PTY LTD	4,138,196.10	4,138,196.10	100.00	Expected to be unrecoverable
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	3,956,480.68	3,956,480.68	100.00	Accounts receivable has been confirmed to be unrecoverable and is undergoing legal proceeding
WHL-FONKWANG	2,769,559.47	2,769,559.47	100.00	Long overdue and there are signs of impairment
Chongqing Yuandong Fushi Electromechanical Company	894,670.00	894,670.00	100.00	There is risk of collection as the agent has been unable to make collection from the owner.
Fuzhou Hongjia Electronic Technology Company	653,188.00	653,188.00	100.00	There is risk of collection as the agent has been unable to make collection from the owner.
Chongqing South Group Company	263,698.87	263,698.87	100.00	As agreed in contract, the accounts receivable shall be offset against with properties, and there are disputes about the amount owed
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Expected to be unrecoverable
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Expected to be unrecoverable
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Expected to be unrecoverable
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Expected to be unrecoverable
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Expected to be unrecoverable
Wuhan Yujia Property Co., Ltd.	105,500.00	105,500.00	100.00	There is risk of collection as the agent has been unable to make collection from the owner.
15 other companies	586,456.27	586,456.27	100.00	
Total	14,159,824.23	14,159,824.23	-	-

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

Provision for bad debts made during the period amounted to RMB1,810,735.23, and there was no provision for bad debts recovered or reversed during the period.

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

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

Name of entity	Relationship with the Group	Ending balance	Ageing	Percentage of total ending balance to accounts receivable (%)	Ending balance of provision for bad debts
Entity 1	Third party	593,912,941.88	Within one year	34.16	2,969,564.71
Entity 2	Third party	124,949,174.30	0-2 years	7.19	624,745.87
Entity 3	Third party	104,362,378.68	Within one year	6.00	521,811.89
Entity 4	Third party	96,164,804.54	1-2 years	5.53	480,824.02
Entity 5	Third party	66,230,377.80	0-2 years	3.81	331,151.89
Total		985,619,677.20		56.68	4,928,098.38

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4. Prepayments

(1) Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,433,275,004.73	58.87	1,087,901,918.19	45.86
1-2 years	817,154,524.14	33.56	955,452,924.43	40.27
2-3 years	139,840,085.70	5.74	298,105,096.33	12.57
Over 3 years	44,538,201.54	1.83	30,885,749.52	1.30
Total	2,434,807,816.11	-	2,372,345,688.47	-

(2) Reason for unsettled significant prepayments aged over one year

Name of company	Relationship with the Company	Amount	Including: Over 1 year	Among aged over 1 year as a percentage total of prepayments (%)	Ageing	Reason for unsettlement
EMERINTERNATONALLIMITED	Unrelated party	311,025,199.03	302,195,059.03	12.41	1-3 years	Large equipment received in batches and not inspected and accepted
The China Engineers, Limited	Unrelated party	34,733,554.39	7,514,302.06	0.31	1-2 years	Large equipment received in batches and not inspected and accepted
HONG KONG LINGYANG CO. LIMITED	Unrelated party	30,938,623.34	30,938,623.34	1.27	1-2 years	Large equipment not received yet
Tognum Aisa Ltd.	Unrelated party	28,875,218.16	28,854,422.00	1.19	2-3 years	Project unsettled
Dalian CRRC Diesel Engine Special Equipment Co., Ltd.	Unrelated party	28,080,000.00	6,240,000.00	0.26	1-2 years	Large equipment not received yet
ABBOy	Unrelated party	27,345,443.28	27,345,443.28	1.12	1-2 years	Project unsettled
ABB SHANGHAI FREE TRADE ZONE INDUSTRIAL CO., LTD	Unrelated party	25,209,277.73	3,501,055.52	0.14	1-2 years	Project unsettled
Sea-Land (H.K.) General Equipment Engineering Ltd	Unrelated party	20,471,954.41	1,006,002.01	0.04	1-3 years	Project unsettled
China Shipbuilding Industry Corporation 712 Research Institute	Both within the Group	9,800,880.00	9,800,880.00	0.40	1-2 years	Project unsettled
Eastern Shanghai Heavy Machinery Co., Ltd.	Unrelated party	84,554,461.53	8,245,000.00	0.34	0-2 years	Project unsettled
ABBAS	Unrelated party	19,384,555.72	7,932,017.00	0.33	0-2 years	Project unsettled
China Shipbuilding Trading Co., Ltd.	Both within the Group	33,093,286.43	4,988,292.16	0.20	0-2 years	Project unsettled
TTS-SCM International Trading Co., LTD	Unrelated party	4,880,170.80	4,880,170.80	0.20	1-2 years	Project unsettled
TTS Bohai Trading (Dalian) Co. Ltd	Unrelated party	1,976,603.41	1,976,603.41	0.08	2-3 years	Project unsettled
Kangji Development Limited	Unrelated party	6,042,187.77	1,457,760.00	0.06	0-2 years	Project unsettled
Total		666,411,416.00	446,875,630.61	18.35		

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

Name of entity	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
EMERINTERNATONALLIMITED	311,025,199.03	1-3 years	12.77
China Shipbuilding Trading Shanghai Co., Ltd.	246,966,242.96	Within one year	10.14
ALNEHRAPETROMEFEZE	110,572,350.11	1-3 years	4.54
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	135,538,482.10	Within one year	5.57
DrassEnergySrl	88,363,999.98	1-2 years	3.63
Total	892,466,274.18	-	36.65

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5. Interest receivable

Item	Ending balance	Beginning balance
Fixed deposit	73,555,362.55	90,472,939.16
Entrusted wealth management products	20,375,360.32	47,770,904.10
Total	93,930,722.87	138,243,843.26

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

6. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	84,911,550.85	83,253,636.68
Less: Provision for bad debts	10,779,853.21	10,805,479.86
Net amount	74,131,697.64	72,448,156.82

(1) Breakdown of other receivables

Type	Ending balance					Beginning balance				
	Book value		Provision for bad debts		Carrying value	Book value		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables which are individually significant and for which provision for bad debts is made on an individual basis	10,340,232.15	12.18	10,340,232.15	100.00	0.00	10,340,232.15	12.42	10,340,232.15	100.00	0.00
Other receivables for which the provision for bad debts is made on credit risk features portfolio basis	74,504,218.70	87.74	372,521.06	0.50	74,131,697.64	72,813,094.53	87.46	364,937.71	0.50	72,448,156.82
Other receivables which are individually insignificant but for which provision for bad debts is made on an individual basis	67,100.00	0.08	67,100.00	100.00	0.00	100,310.00	0.12	100,310.00	100.00	0.00
Total	84,911,550.85	-	10,779,853.21	-	74,131,697.64	83,253,636.68	-	10,805,479.86	-	72,448,156.82

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

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

Note: Pursuant to a debt restructuring agreement between the Company and Guangzhou International Trust and Investment Corporation ("Guangzhou Investment"), most of the trust deposits of the Company at Guangzhou Investment had been exchanged for assets. On 17 August 2015, 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 enforcement as at the end of June 2017. Guangzhou Intermediate People's Court had had ordered the suspension of enforcement. The Company expects that the amount to be unrecoverable.

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- 2) *Other receivables in the portfolio for which provision for bad debts is made using balance percentage method*

Name of portfolio	Ending balance		
	Other receivables	Amount of bad debts	Percentage (%)
Within one year (including one year)	56,081,452.52	280,407.24	0.50
1-2 years	7,543,514.87	37,717.58	0.50
2-5 years	1,514,568.63	7,572.84	0.50
3-4 years	1,603,267.73	8,016.33	0.50
4-5 years	349,995.02	1,749.97	0.50
Over 5 years	7,411,419.93	37,057.10	0.50
Total	74,504,218.70	372,521.06	–

- 3) *Other receivables which are individually insignificant but for which provision for bad debts is made on an individual basis*

Name of entity	Book balance	Amount of bad debts	Percentage (%)	Reasons for provision
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100.00	Unrecoverable
Guangdong Machinery Import & Export Co., Ltd.	9,500.00	9,500.00	100.00	Unrecoverable
Total	67,100.00	67,100.00	–	–

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

Provision for bad debts made during the period amounted to RMB-25,204.65; provision for bad debts recovered or reversed during the period amounted to RMBnil.

(3) Breakdown of other receivables by nature

Nature	Book balance at the end of the period	Book balance at the beginning of year
Refundable deposits	10,908,630.07	8,899,170.30
Temporary payments receivable	597,283.37	2,768,631.51
Grants receivable		1,210,000.00
Reserve funds	28,790,546.53	35,842,790.63
Other current account	44,615,090.88	34,533,044.24
Total	84,911,550.85	83,253,636.68

(4) Top five other receivables based on ending balance of debtors:

Name of entity	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debts
Guangzhou International Trust and Investment Corporation	Disposal of properties in Longgang	10,340,232.15	Over 5 years	12.18	10,340,232.15
Guangzhou Nansha Pingqian Automobile Industrial Park Co., Ltd.	Security deposit for lease contracts	3,982,863.00	Over 5 years	4.69	19,914.32
Guangdong Yuanyang Transportation Co., Ltd.	Interest on amounts overdue	2,915,874.25	Within one year	3.43	14,579.37
Alive Door Industry (Kunshan) Co., Ltd.	Security deposit	2,700,000.00	Within one year	3.18	13,500.00
PICC Property and Casualty Company Limited Dalian Branch	Insurance claims	2,624,614.31	Within one year	3.09	13,123.07
Total		22,563,583.71		26.57	10,401,348.91

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7. Inventories

(1) Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials	1,429,573,295.7	20,407,197.42	1,409,166,098.28	2,020,690,142.95	21,366,160.16	1,999,323,982.79
Work in progress	1,356,892,361.65	103,082,148.37	1,253,810,213.28	1,088,232,200.88	108,139,310.63	980,092,890.25
Finished goods	28,634,222.93	15,951.95	28,618,270.98	21,152,693.65	15,951.95	21,136,741.70
Completed and unsettled assets arising from construction contracts	10,619,465,117.89	91,532,715.95	10,527,932,401.94	9,385,369,887.34	79,210,653.85	9,306,159,233.49
Goods in transit	33,885,182.11		33,885,182.11	42,892,168.93		42,892,168.93
Total	13,468,450,180.28	215,038,013.69	13,253,412,166.59	12,558,337,093.75	208,732,076.59	12,349,605,017.16

(2) Provision for impairment of inventories

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision	Others	Reversal or writing-off	Other transfer-out	
Raw materials	21,366,160.16			958,962.74		20,407,197.42
Work in progress	108,139,310.63	2,370,277.44		7,427,439.70		103,082,148.37
Finished goods	15,951.95					15,951.95
Completed and unsettled assets arising from construction contracts	185,757,904.42	15,939,939.73		63,422,310.15		138,275,534.00
Including: Capitalised construction contracts (under inventories)	79,210,653.85	-	-	-	-	91,532,715.95
Capitalised construction contracts (under estimated liabilities)	106,547,250.57	-	-	-	-	46,742,818.05
Sub-total	315,279,327.16	18,310,217.17		71,808,712.59		261,780,831.74
Less: Capitalised construction contracts (under estimated liabilities)	106,547,250.57	-	-	-	-	46,742,818.05
Total	208,732,076.59	-	-	-	-	215,038,013.69

(3) Provision for impairment of inventories

Item	Basis for determination of net realisable value	Reason for reversal or writing-off during the period
Raw materials	Book value higher than net realisable value (Estimated disposal proceeds less taxes)	Production and reuse
Work in progress	Book value higher than net realisable value (Estimated selling price less related costs and expenses)	Completed for sale
Finished goods	Book value higher than net realisable value (Estimated selling price less taxes)	
Capitalised 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	24,402,392,363.78
Accumulated gross profit recognised	328,008,105.08
Less: Expected loss	91,532,715.95
Amount settled	14,110,935,350.97
Completed and unsettled assets arising from construction contracts	10,527,932,401.94

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8. Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Entrusted wealth management products	701,000,000.00		Note
Total	701,000,000.00		Total

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	200,000,000.00	2016-6-17	2018-6-17
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	200,000,000.00	2016-06-17	2018-06-17
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	301,000,000.00	2016-07-07	2018-06-25
Total		701,000,000.00		

9. Other current assets

Item	Ending balance	Beginning balance	Remarks
Entrusted wealth management products		300,000,000.00	
Value-added tax credit	1,728,672,403.22	1,592,964,428.05	
Total	1,728,672,403.22	1,892,964,428.05	Total

10. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Available-for-sale equity instruments						
Including: Measured at fair value	3,364,912.32		3,364,912.32	3,151,874.04		3,151,874.04
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	23,831,701.59	4,716,310.26	19,115,391.33	23,618,663.31	4,716,310.26	18,902,353.05

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

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	3,364,912.32	3,364,912.32
Accumulated amount of changes in fair value included in other comprehensive income	2,209,415.02	2,209,415.02
Amount of provision made		

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

Investee	Book balance			Provision for impairment			Shareholding percentage in investee (%)	Cash dividend for the period
	Beginning balance	Increase for the period	Decrease for the period	Ending balance	Beginning balance	Increase for the period		
CSSC Finance Company Limited	5,828,000.00			5,828,000.00			0.33	
CSSC Heavy Equipment Co., Ltd.	5,038,255.45			5,038,255.45			17.10	
Nanjing Tongchuang Computer Co., Ltd.	4,716,310.26			4,716,310.26	4,716,310.26			4.60
Beijing Shipbuilding Information Technology Co., Ltd.	1,700,000.00			1,700,000.00			5.30	
Huangpu Hongshan Community Health Service Center	1,200,000.00			1,200,000.00			20.00	
CSIC Yuanzhou (Beijing) Science & 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			10.00	
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) 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 beginning of the year	4,716,310.26	4,716,310.26
Provision made for the period		
Including: Transfer from other comprehensive income		
Decrease for the period		
Including: Subsequent reversal arising from increase in fair value		
Amount of provision made as at the end of the period	4,716,310.26	4,716,310.26

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

Item	Ending balance	Beginning balance
Listed	3,364,912.32	3,151,874.04
Including: China (except Hong Kong)	3,364,912.32	3,151,874.04
Unlisted	15,750,479.01	15,750,479.01
Total	19,115,391.33	18,902,353.05

11. Long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value	
Receipt in instalments for sale of goods	582,316,421.98	117,201,391.50	465,115,030.48	601,815,597.04	123,023,953.07	478,791,643.97	
Total	582,316,421.98	117,201,391.50	465,115,030.48	601,815,597.04	123,023,953.07	478,791,643.97	

Note: Receipt in instalments for sale of goods represents shipbuilding payment received in instalments. 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.

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12. Long-term equity investments

(1) Breakdown of long-term equity investments

Investee	Beginning balance	Additional investment	Decrease in investment	Changes in the period					Ending balance	Ending balance of provision for impairment	
				Investment gain or loss recognised using equity method	Other comprehensive income adjustment	Other changes in equity	Declaration of cash dividend or profit	Provision for impairment made			Others
I. Associates	68,961,676.66			310,227.63					1,875,000.00	71,146,904.29	
Zhejiang CSSC Equipment Modern Co., Ltd.	45,012,936.23			280,007.67						45,292,943.90	
CSSC Liner Technology Development Co., Ltd.	19,977,240.08			20,864.07						19,998,104.15	
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	3,971,500.35			9,355.89						3,980,856.24	
Guangzhou Xingji Maritime Engineering Design Co., Ltd.									1,875,000.00	1,875,000.00	
Total	68,961,676.66			310,227.63					1,875,000.00	71,146,904.29	

Note: For details of other changes during the year, please refer to Note XI.(ii).6 Investments in related parties.

(2) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	71,146,904.29	68,961,676.66
Total	71,146,904.29	68,961,676.66

13. Investment properties

(1) Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance	29,171,739.00	29,171,739.00
2. Increase for the period		
3. Decrease for the period		
4. Ending balance	29,171,739.00	29,171,739.00
II. Accumulated depreciation and amortisation		
1. Beginning balance	6,291,663.16	6,291,663.16
2. Increase for the period	314,356.08	314,356.08
(1) Provision made or amortisation	314,356.08	314,356.08
3. Decrease for the period		
4. Ending balance	6,606,019.24	6,606,019.24
III. Provision for impairment		
1. Beginning balance		
2. Increase for the period		
3. Decrease for the period		
4. Ending balance		
IV. Carrying value		
1. Carrying value at the end of the period	22,565,719.76	22,565,719.76
2. Carrying value at the beginning of the year	22,880,075.84	22,880,075.84

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

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

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Investment properties analysed by region and term:

Item	Ending balance	Beginning balance
Within China	22,565,719.76	22,880,075.84
Medium term (10-50 years)	22,565,719.76	22,880,075.84
Total	22,565,719.76	22,880,075.84

(2) *Investment properties without property ownership certificates: None.*

14. Fixed assets

(1) *Breakdown of fixed assets*

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning balance	9,375,638,482.46	5,330,592,641.36	744,247,952.54	395,315,554.38	15,845,794,630.74
2. Increase for the period	14,014,076.58	58,637,537.16	3,514,773.57	1,617,686.73	77,784,074.04
(1) Purchase	4,646,399.98	10,397,085.12	2,758,849.55	1,609,183.44	19,411,518.09
(2) Transfer from construction in progress	9,367,676.60	46,588,509.63	755,924.02	1,660,445.70	58,372,555.95
(3) Other transfer-in	0.00	1,651,942.41	0.00	-1,651,942.41	0.00
3. Decrease for the period	0.00	6,669,473.09	8,672,774.00	4,042,448.23	19,384,695.32
(1) Disposal or retirement	0.00	6,669,473.09	8,672,774.00	3,103,673.86	18,445,920.95
(2) Decrease in combinations	0.00	0.00	0.00	938,774.37	938,774.37
4. Ending balance	9,389,652,559.04	5,382,560,705.43	739,089,952.11	392,890,792.88	15,904,194,009.46
II. Accumulated depreciation					
1. Beginning balance	1,856,403,743.84	2,431,462,531.91	408,272,879.84	234,773,903.97	4,930,913,059.56
2. Increase for the period	154,800,471.19	160,283,312.08	14,777,691.25	17,090,859.48	346,952,334.00
(1) Provision made	154,800,471.19	158,626,957.93	15,480,598.47	18,044,306.41	346,952,334.00
(2) Other transfer-in	0.00	1,656,354.15	-702,907.22	-953,446.93	0.00
3. Decrease for the period	0.00	6,159,902.40	6,362,782.15	3,209,614.98	15,732,299.53
(1) Disposal or retirement	0.00	6,159,902.40	6,362,782.15	2,974,320.10	15,497,004.65
(2) Decrease in combinations	0.00	0.00	0.00	235,294.88	235,294.88
4. Ending balance	2,011,204,215.03	2,585,585,941.59	416,687,788.94	248,655,148.47	5,262,133,094.03
III. Provision for impairment					
1. Beginning balance	0.00	6,414,825.24	1,752,651.50	0.00	8,167,476.74
2. Increase for the period					
3. Decrease for the period			1,752,651.50	0.00	1,752,651.50
(1) Disposal or retirement			1,752,651.50	0.00	1,752,651.50
4. Ending balance		6,414,825.24	0.00	0.00	6,414,825.24
IV. Carrying value					
1. Carrying value at the end of the period	7,378,448,344.01	2,790,559,938.60	322,402,163.17	144,235,644.41	10,635,646,090.19
2. Carrying value at the beginning of the year	7,519,234,738.62	2,892,715,284.21	334,222,421.20	160,541,650.41	10,906,714,094.44

The depreciation of fixed assets recognised in profit or loss during the period is RMB346,952,334.00 (Corresponding period of last year: RMB331,233,008.51).

Included in fixed assets added during the period is RMB58,372,555.95 capitalised construction in progress.

(2) *Fixed assets leased out through operating leases*

Item	Carrying value
Buildings and structures	823,019,957.09
Machinery and equipment	220,049,279.13
Transportation vehicles	4,236,272.08
Other equipment	1,855,541.27
Total	1,049,161,049.57

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(3) **Buildings and structures are analysed by region and term as follows:**

Item	Ending balance	Beginning balance
Within China	7,363,971,646.39	7,504,616,349.18
Medium term (10-50 years)	7,363,971,646.39	7,504,616,349.18
Outside China	14,476,697.62	14,618,389.44
Long term (over 50 years)	14,476,697.62	14,618,389.44
Total	7,378,448,344.01	7,519,234,738.62

(4) **Fixed assets temporarily unutilised**

Item	Carrying value
Machinery and equipment	77,260.55
Total	77,260.55

As at the end of the period, included in the fixed assets was machinery equipment with carrying value of RMB77,260.55 which were temporarily unutilised, mainly due to the fact that Guangzhou Shipyard International Marine Engineering Co., Ltd., a subsidiary of the Company, had ceased production and operation and was in the process of liquidation and its fixed assets were temporarily unutilised.

(5) **Fixed assets without property ownership certificates**

As at the end of the period, included in fixed assets were properties with carrying amount of RMB228,576,756.46 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 fixed assets and there will be no additional material costs.

Item	Carrying value	Reason for failure to obtain property ownership certificates
Ship joining workshop	128,476,044.48	In the process of inspection
Assembly and welding workshop	57,444,969.13	In the process of inspection
Production and living support building	13,641,606.47	In the process of inspection
Integrated building of machinery processing	6,949,357.21	In the process of obtaining ownership certificate
Protection building project for submarine force at Longxue Plant	6,932,441.91	In the process of obtaining ownership certificate
1# power distribution room	5,311,375.17	In the process of inspection
East auxiliary building of new platform ship at Longxue Plant	4,694,783.24	In the process of obtaining ownership certificate
Oil paint, oil and chemicals storage	2,680,339.27	In the process of inspection
Oily waste storage room	927,817.68	In the process of inspection
1# natural gas pressure regulating and blending station	673,898.57	In the process of inspection
Public toilet	382,371.55	In the process of inspection
Weigh house	461,751.78	In the process of inspection
Total	228,576,756.46	

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15. Construction in progress

(1) Breakdown of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Nansha Plant upgrading project	268,692,966.02		268,692,966.02	221,633,107.89		221,633,107.89
Maritime engineering equipment production facilities improvement project at Longxue Plant	127,641,219.26		127,641,219.26	129,035,197.54		129,035,197.54
Project 8	84,156,658.35		84,156,658.35	42,572,139.36		42,572,139.36
Residential project for workers	72,983,325.52		72,983,325.52	72,983,325.52		72,983,325.52
Project 7	38,435,828.25		38,435,828.25	29,897,873.52		29,897,873.52
Offshore platform project	34,085,272.57		34,085,272.57	35,628,531.49		35,628,531.49
Offshore engineering project phase I	16,435,941.55		16,435,941.55	16,397,746.44		16,397,746.44
Elevator and decompression bed construction project	16,119,384.75		16,119,384.75	13,081,044.34		13,081,044.34
Technological upgrading project	14,799,285.92		14,799,285.92	27,574,872.09		27,574,872.09
Relocation and upgrading of spray zinc and spray paint shelter, and construction of revolving shelter						
and transport track project	14,216,046.97		14,216,046.97			
Project 2	13,842,441.27		13,842,441.27	13,842,426.27		13,842,426.27
Project 6	10,836,945.32		10,836,945.32	10,841,254.13		10,841,254.13
Project 5	8,534,008.03		8,534,008.03	8,540,676.98		8,540,676.98
Project 3	6,712,359.81		6,712,359.81	6,712,359.81		6,712,359.81
Pipe distribution warehouse project	6,712,359.81		6,712,359.81	4,809,053.77		4,809,053.77
External workers shift room	5,198,576.24		5,198,576.24	3,113,244.35		3,113,244.35
Construction contract for 16 meter self-moving mobile barges	5,140,390.48		5,140,390.48	3,327,976.64		3,327,976.64
CO2 welding machine	3,661,667.30		3,661,667.30	4,096,558.36		4,096,558.36
Phase 2 of singles' quarter	2,339,490.07		2,339,490.07	2,339,490.07		2,339,490.07
Filling up project	2,208,956.57		2,208,956.57	2,204,560.49		2,204,560.49
Replacement of underground kinetic energy pipelines at Nansha Plant	1,556,689.68		1,556,689.68	1,556,689.68		1,556,689.68
Project 4	797,790.90		797,790.90	928,121.65		928,121.65
Shipbuilding platform	705,200.06		705,200.06			
Construction of Zhongshan Base (Phrase I)	599,524.72		599,524.72	140,354.58		140,354.58
Energy upgrading for Nos.7-9 slipways	304,578.97		304,578.97			
Coating shelter power substation civil works	288,957.32		288,957.32	1,587,485.51		1,587,485.51
Coating room upgrading at Yangzhou project				1,830,913.13		1,830,913.13
Renovation of night shift quarter and food processing centre				1,335,746.90		1,335,746.90
Equipment addition at material terminal (32t gantry crane)				1,068,690.00		1,068,690.00
Canteen upgrading project				992,045.68		992,045.68
Other projects	18,554,338.97		18,554,338.97	12,679,354.22		12,679,354.22
Total	775,560,204.68		775,560,204.68	670,750,840.41		670,750,840.41

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(2) Change in material construction in progress

Name of project	Beginning balance	Increase for the period	Decrease for the period		Ending balance
			Transfer to fixed assets	Other decrease	
Nansha Plant upgrading project	221,633,107.89	47,059,858.13			268,692,966.02
Maritime engineering equipment production facilities improvement project at Longxue Plant	129,035,197.54	27,866,555.30	29,260,533.58		127,641,219.26
Project 8	42,572,139.36	37,607,699.48	1,037,094.04		79,142,744.80
Technological upgrading project	27,574,872.09	6,630,786.32	6,203,583.84		28,002,074.57
Residential project for workers	72,983,325.52				72,983,325.52
Offshore platform project	35,628,531.49	1,973,062.14			37,601,593.63
Project 7	29,897,873.52	6,703,339.35			36,601,212.87
Offshore engineering project phase I	16,397,746.44	38,195.11			16,435,941.55
Project 2	13,842,426.27	15.00			13,842,441.27
Elevator and decompression bed construction project	13,081,044.34	3,038,340.41			16,119,384.75
Project 6	10,841,254.13	-4,308.81			10,836,945.32
Project 3	6,712,359.81				6,712,359.81
Total	620,199,878.40	130,913,542.43	36,501,211.46		714,612,209.37

Name of project	Budgeted amount	Budget use-up ratio (%)	Progress of project	Accumulated interest capitalised	Including: Interest capitalised for the period	Interest capitalisation ratio for the period (%)	Source of funding
Nansha Plant upgrading project	1,333,760,000.00	60.00	80.00	2,049,440.22	922,757.91	1.08	Loan/self-financed
Maritime engineering equipment production facilities improvement project at Longxue Plant	653,000,000.00	59.69	59.69				Self-financed/loans
Project 8	453,000,000.00	37.99	37.99				State-subsided/self-financed
Technological upgrading project	40,000,000.00	143.89	100.00				Self-financed
Residential project for workers	568,440,000.00	12.25	12.25	5,321,235.58			Self-financed/loans
Offshore platform project	278,630,000.00	29.89	29.89	19,306,886.21	1,963,187.53		Self-financed/loans
Project 7	424,940,000.00	82.57	82.57	3,362,453.60	1,417,194.50		State-subsided/loan/self-financed
Offshore engineering project phase I	770,000,000.00	97.29	97.29	65,768,454.86			Self-financed/loans
Project 2	499,060,000.00	105.02	100.00	37,214,094.71			Self-financed/state-subsided/loan
Elevator and decompression bed construction project	123,730,000.00	13.00	13.00				Self-financed
Project 6	201,000,000.00	96.83	96.83				State-subsided/self-financed
Project 3	278,630,000.00	91.91	91.91	24,729,118.48			Self-financed/loans
Total	5,624,190,000.00	-	-	157,751,683.66	4,303,139.94	-	-

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16. Disposal of fixed assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	4,998,142.09	2,541,226.74
Machinery and equipment	31,132.31	31,132.31
Total	5,029,274.40	2,572,359.05

17. Intangible assets

(1) Breakdown of intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	2,063,527,431.28	145,232,000.00	168,741,941.55	2,423,934.00	2,379,925,306.83
2. Increase for the period	167,641.66		11,071,585.50		11,239,227.16
(1) Additions	167,641.66		11,071,585.50		11,239,227.16
3. Decrease for the period			993,669.20		993,669.20
(1) Decrease in combinations			993,669.20		993,669.20
4. Ending balance	2,063,695,072.94	145,232,000.00	178,819,857.85	2,423,934.00	2,390,170,864.79
II. Accumulated amortisation					
1. Beginning balance	211,931,139.12	22,510,959.69	145,063,606.46	26,409.04	379,532,114.31
2. Increase for the period	28,313,553.89	1,452,319.98	-542,288.86	3,233.76	29,226,818.77
(1) Provision made	21,067,853.61	1,452,319.98	6,703,411.42	3,233.76	29,226,818.77
(2) Other transfer-in	7,245,700.28		-7,245,700.28		0.00
3. Decrease for the period			303,621.12		303,621.12
(1) Decrease in combinations			303,621.12		303,621.12
4. Ending balance	240,244,693.01	23,963,279.67	144,217,696.48	29,642.80	408,455,311.96
III. Provision for impairment					
1. Beginning balance					
2. Increase for the period					
3. Decrease for the period					
4. Ending balance					
IV. Carrying value					
1. Carrying value at the end of the period	1,823,450,379.93	121,268,720.33	34,602,161.37	2,394,291.20	1,981,715,552.83
2. Carrying value at the beginning of the year	1,851,596,292.16	122,721,040.31	23,678,335.09	2,397,524.96	2,000,393,192.52

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

Land use rights analysed by region and term:

Item	Ending balance	Beginning balance
Within China		
Long term (over 50 years)		
Medium term (10-50 years)	1,823,450,379.93	1,851,596,292.16
Total	1,823,450,379.93	1,851,596,292.16

The depreciation and amortisation of intangible assets recognised in profit or loss during the period is RMB29,226,818.77 (Corresponding period of last year: RMB28,815,016.82).

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

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18. Development expenditure

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
		Internal research and development expenses	Transfer to profit or loss for current period	
Research and development of key technologies for 3,000 meter deepwater drillships		33,317,042.32	33,317,042.32	
Research and development and industrial application of offshore oil spill recovery ships		10,681,071.62	10,681,071.62	
Smart ship demonstration project (Project Dawn)		9,228,164.77	9,228,164.77	
Development of dual-fuel high-speed luxury Ro/Ro ships		7,668,132.61	7,668,132.61	
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		5,678,684.68	5,678,684.68	
Research of key technologies for polar deck ships		5,482,750.50	5,482,750.50	
Self-development of 3,000 meter diving support ships		5,166,232.45	5,166,232.45	
Research and development of key technologies for design and building of jack-up wind power installation platform		4,282,028.33	4,282,028.33	
Research of key technologies for 300 metre saturation diving supporting ships		4,237,180.21	4,237,180.21	
Research and development of 1,400 dual fuel TEU containerships		4,115,691.13	4,115,691.13	
Research and development of energy-saving and environment-friendly VLOC ships		4,076,685.83	4,076,685.83	
Research and development and demonstration application of 1583X009 vessel equipment comprehensive management system		3,804,813.96	3,804,813.96	
Research and development of 1,900 TEU containerships		3,505,301.90	3,505,301.90	
Research and development of manufacturing process and fitting for advanced ships (1)		3,415,325.12	3,415,325.12	
Research and development of design and building technology for 8,000KW salvage ships		3,373,619.83	3,373,619.83	
Research and development of key technologies for building SE-300LB jack-up service platforms		3,165,423.73	3,165,423.73	
Research and development of design and building technology for large trenching ships		3,063,308.30	3,063,308.30	
Research and development of manufacturing process and fitting for marine engineering equipment (1)		2,900,122.83	2,900,122.83	
Research and development of LR2 oil tankers meeting HCSR		2,829,547.18	2,829,547.18	
Research and development of 2,700 TEU containerships		2,793,888.82	2,793,888.82	
Research and manufacture of 3,000 meter drilling wave compensation device		2,716,079.11	2,716,079.11	
Research and development of 1,100 TEU premium containerships		2,520,734.83	2,520,734.83	
In-depth application and research of special precision shipbuilding technologies		2,197,274.80	2,197,274.80	
Research and development of key technologies for building large offshore salvage tugs		1,948,167.22	1,948,167.22	
Research and development of multi-purpose heavy lift ships		1,929,214.39	1,929,214.39	
Smart ship demonstration project (plus)		1,658,718.29	1,658,718.29	
Research and development and industrial application of upgrading technology for 300,000 ton super deepwater floating production, storage and offloading devices (FPSO)		1,635,728.32	1,635,728.32	
Research and development of Antarctic krill ships		1,524,508.29	1,524,508.29	
6,000 self-propelled cutter dredger project		1,490,948.80	1,490,948.80	
Research of comprehensive building process and technology for certain ships		1,405,648.82	1,405,648.82	

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Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Internal research and development expenses	Transfer to profit or loss for current period	Internal research and development expenses	Transfer to profit or loss for current period	
Research and development of polar condensate tankers		1,387,532.03		1,387,532.03		
Research and development of 300 TEU containerships		1,227,323.87		1,227,323.87		
Research and development of energy-saving control for ship follow-up green cooling system		1,164,989.86		1,164,989.86		
Research and development of power balance control system for large refrigerated container ships		1,158,840.79		1,158,840.79		
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things		1,156,506.00		1,156,506.00		
1683C010_Coordinated innovative research and application of composite wear resistant components for high-end equipment		1,121,978.58		1,121,978.58		
Research and development of key technologies for 115 meter maritime engineering		1,079,304.22		1,079,304.22		
Other miscellaneous projects		28,536,437.97		28,536,437.97		
Total		178,644,952.31		178,644,952.31		

During the period, development expense of RMB147,018,458.15 was transferred to administrative expense, and development expense of RMB31,626,494.16 was transferred to operating cost.

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

19. Long-term prepaid expenses

Item	Beginning balance	Increase for the period	Amortisation for the period	Other decreases for the period	Ending balance
Reconstruction cost of plant	5,099,548.86		536,794.61		4,562,754.25
1025 import technology design fee	4,253,039.47				4,253,039.47
Improvement in leased fixed assets	6,639,316.05		3,484,606.93	584,721.00	2,569,988.12
Dining hall complex modification	821,731.16		493,038.70		328,692.46
Renovation of ventilation and air-conditioning system of technical centre building	176,070.94		96,038.70		80,032.24
Drawing review and certification fees	60,000.00		15,000.00		45,000.00
Total	17,049,706.48		4,625,478.94	584,721.00	11,839,506.54

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	286,865,435.70	53,153,680.32	292,556,519.38	53,979,123.80
Deductible tax loss	1,309,471,287.18	327,367,821.80	1,309,505,173.60	327,376,293.40
Prepaid housing subsidy			65,378.00	16,344.50
Payroll for retiring employees	219,745,757.87	49,720,660.20	224,784,594.88	50,476,528.31
Estimated liabilities	364,146,545.88	69,546,622.82	367,443,149.13	70,103,177.26
Timing differences for long-term prepaid expenses	3,231,607.44	807,901.86	3,062,731.51	765,682.88
Total	2,183,460,634.07	500,596,687.00	2,197,417,546.50	502,717,150.15

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(2) Deferred tax liabilities not offset

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	1,996,376.74	499,094.19
Change in fair value of financial assets at fair value through profit or loss				
Total	1,996,376.74	499,094.19	1,996,376.74	499,094.19

(3) Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	257,459,316.55	316,067,311.87
Deductible tax loss	2,856,962,334.25	2,782,102,928.54
Total	3,114,421,650.80	3,098,170,240.41

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, GSI, 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, Wenchong Shipyard, 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, deferred tax assets were 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
2017	64,552,128.78	77,491,947.48	
2018	57,270,730.02	57,279,558.73	
2019	909,839,825.21	910,144,879.00	
2020	903,290,886.67	904,273,110.65	
2021	832,913,432.68	832,913,432.68	
2022	89,095,330.89		
Total	2,856,962,334.25	2,782,102,928.54	

21. Other non-current assets

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

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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	2016-09-26	2018-09-26
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	100,000,000.00	2016-11-08	2018-11-08
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	200,000,000.00	2016-06-17	2018-06-17
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	301,000,000.00	2016-07-07	2018-06-25
	Total	1,001,000,000.00		
	Including:	701,000,000.00		
	Non-current assets due within one year			
	Other non-current assets	300,000,000.00		

22. Short-term borrowings

(1) Breakdown of short-term borrowings

Type	Ending balance	Beginning balance
Secured borrowings	177,610,622.68	
Guaranteed borrowings		96,000,000.00
Credit loans	1,272,952,103.38	349,636,500.54
Total	1,450,562,726.06	445,636,500.54

Details of interest rates: As at the end of the period, the weighted average annual interest rate of short-term borrowings was 3.01%.

(2) Outstanding overdue short-term borrowings: None.

23. Financial liabilities at fair value through profit or loss

Item	Ending balance	Beginning balance
Financial liabilities designated at fair value through profit and loss Including: Forward exchange contracts	655,224.92	
Short USD call options		
Swap exchange purchase	655,224.92	
Total	655,224.92	

24. Notes payable

Type	Ending balance	Beginning balance
Bank acceptance bills	983,136,170.00	1,459,936,362.47
Commercial acceptance bills	353,523,778.06	456,133,162.59
Total	1,336,659,948.06	1,916,069,525.06

Total notes payable due and unpaid as at the end of the period amounted to RMB3,660,000.00. Such amount was paid on 13 July 2017.

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

NOTES TO THE FINANCIAL STATEMENTS

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25. Accounts payable

(1) Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	4,619,925,811.25	5,699,473,766.19
Payment for projects under construction	575,378,285.06	367,141,331.15
Balance of product payment	321,497,781.82	450,339,867.73
Retention money	419,989,707.28	356,243,447.31
Other construction and labour services	936,408,453.01	390,437,764.58
Total	6,873,200,038.42	7,263,636,176.96

(2) The ageing analysis of accounts payable based on the transaction date (including accounts payable to related parties) is as follows:

Ageing	Ending balance	Beginning balance
Within one year	5,464,904,119.74	6,412,627,506.32
1-2 years	827,908,743.32	564,707,692.41
2-3 years	292,710,701.10	124,352,471.96
Over 3 years	287,676,474.26	161,948,506.27
Total	6,873,200,038.42	7,263,636,176.96

(3) Significant accounts payable aged over one year

Name of entity	Ending balance	Including: Over one year	Reason for unsettlement or carrying forward
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	540,233,002.67	134,885,197.63	Undue
CSSC Systems Engineering Research Institute	503,484,420.17	263,805,453.50	Provisional estimates for finished products
China Shipbuilding Industry Corporation E Research Institute	261,963,450.00	32,020,050.00	Undue
Supplier A	140,604,200.00	90,660,000.00	Equipment warranty and provisional estimates
Supplier B	112,272,043.03	60,430,978.42	Equipment warranty and provisional estimates
Wuhan Marine Machinery Co., Ltd.	116,691,594.56	33,551,894.56	Undue
China Shipbuilding NDRI Engineering Co., Ltd.	75,022,148.29	7,791,461.78	Payment for construction in progress
ALNEHRAPETROMEFEZE	58,569,735.45	58,569,735.45	Equipment warranty and provisional estimates
Nanjing Panda Handa Technology Co., Ltd.	53,020,000.00	42,710,000.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation F Research Institute	36,800,000.00	18,400,000.00	Undue
Havyard Global Solutions AS	24,262,779.64	24,262,779.64	Equipment warranty and provisional estimates
Wenzhou Bohong Electric Co., Ltd.	21,416,110.00	11,566,110.00	Equipment warranty and provisional estimates
Dalian Marine Diesel Engine Co., Ltd.	14,858,510.00	14,610,500.00	Unsettled
Hongye Construction Engineering Co., Ltd.	6,281,571.00	5,802,723.41	Not completed
Total	1,965,479,564.81	799,066,884.39	-

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26. Advances from customers

(1) Advances from customers

Item	Ending balance	Beginning balance
Steel structure engineering	93,498,818.14	108,501,241.85
Advance from customers for ship maintenance	368,490,531.68	267,948,430.76
Other products	274,539,833.25	219,745,529.73
Total	736,529,183.07	596,195,202.34

(2) Significant advances from customers aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Guangzhou Wenchong Dockyard Co., Ltd.	60,988,961.26	Project unsettled
Shenzhen Xuneng Power Generation Co., Ltd.	24,337,703.36	Project unsettled
Hainan Xuneng Power Generation Co., Ltd.	13,212,275.90	Project unsettled
SDC Waterway Construction Co., Ltd.	8,113,504.25	Project unsettled
Guangdong Construction Engineering Group Co., Ltd.	4,629,680.73	Project unsettled
Total	111,282,125.50	–

27. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term employee benefits	59,353,944.54	1,927,701,945.44	1,889,711,683.91	97,344,206.07
Post-employment benefits – defined contribution plans	198.77	138,138,502.14	137,865,032.58	273,668.33
Termination benefits		1,218,807.57	1,218,807.57	
Total	59,354,143.31	2,067,059,255.15	2,028,795,524.06	97,617,874.40

(2) Short-term employee benefits

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	30,660,777.25	795,402,913.46	755,652,351.60	70,411,339.11
Employee benefits	5,072,421.30	27,687,986.13	27,687,986.13	5,072,421.30
Social insurance	5,078.79	81,945,358.40	81,867,149.61	83,287.58
Including: Medical insurance	3,698.03	66,085,978.07	66,089,676.10	
Work-related injury insurance	1,026.08	2,568,141.36	2,569,167.44	
Maternity insurance	354.68	6,756,478.25	6,673,545.35	83,287.58
Supplemental medical insurance		4,006,037.84	4,006,037.84	
Others		2,528,722.88	2,528,722.88	
Housing fund	314,528.00	103,595,988.67	103,907,762.67	2,754.00
Union & education funds	22,256,815.39	14,145,856.16	14,628,267.47	21,774,404.08
Outsourcing labour costs and others	1,044,323.81	904,923,842.62	905,968,166.43	
Total	59,353,944.54	1,927,701,945.44	1,889,711,683.91	97,344,206.07

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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 period were as follows:

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Basic pension insurance		120,084,117.70	120,084,117.60	0.10
Unemployment insurance	198.77	5,056,654.21	5,056,852.98	
Enterprise annuity		12,997,730.23	12,724,062.00	273,668.23
Total	198.77	138,138,502.14	137,865,032.58	273,668.33

The defined benefit plan contributions payable by the Group for the period amounted to RMB138,138,502.14 (Corresponding period of last year: RMB140,948,794.31). As at 30 June 2017, contribution payable amounting to RMB273,668.23 (31 December 2016: RMB198.77) was due and outstanding during the Reporting Period, which had been paid subsequent to the end of the Reporting Period.

28. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	8,984,030.97	26,102,175.44
Enterprise income tax	41,830,358.35	52,849,542.00
Individual income Tax	2,909,191.86	21,903,075.93
City maintenance and construction tax	639,938.21	1,977,446.62
Property tax	10,800,592.71	20,470,639.55
Land use tax	5,460,193.93	2,030,500.01
Educational surcharge	458,641.56	1,407,903.98
Others	125,952.81	369,814.23
Total	71,208,900.40	127,111,097.76

Note 1: As at 30 June 2017, 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 30 June 2017, included in the enterprise income tax under taxes payable was Hong Kong profits tax and Macau income tax of RMB7,140,990.26.

29. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings of which the interest is paid in instalments and the principal is repaid when due	9,244,368.06	10,771,532.39
Interest payable on short-term borrowings	8,541,355.44	337,894.44
Other interest	387,434.40	
Total	18,173,157.90	11,109,426.83

30. Dividends payable

Item	Ending balance	Beginning balance
Dividends payable for A shares	13,208,207.36	341,776.11
Dividends payable for H shares	9,583,850.38	156,228.43
Dividend payable by subsidiaries to minority interests	7,864,000.00	3,308,000.00
Total	30,656,057.74	3,806,004.54

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31. Other payables

(1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	121,969,334.68	188,069,039.46
Payable for temporary receipts	138,691,019.84	170,121,396.60
Total	260,660,354.52	358,190,436.06

(2) Significant other payables aged over 1 year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Foshan Shunde Ship Component Co., Ltd.	960,000.00	Deposits received
Yueyang Guangxin Guangfa Electrical Engineering Co., Ltd.	706,000.00	Deposits received
Guangzhou Zhanye Marine Engineering Co., Ltd.	343,000.00	Deposits received
Nantong Tongguang Steel Structures Co., Ltd. Hukou Branch	305,000.00	Deposits received
Zhoushan Wanshun Shipbuilding Co., Ltd.	300,000.00	Deposits received
Zhongshan Municipal Finance Bureau	300,000.00	Special postdoctoral fund
Zhongshan Kechuang Steel Structure Co., Ltd.	174,000.00	Deposits received
Total	3,088,000.00	

32. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due with one year	5,582,400,000.00	5,675,200,000.00
Total	5,582,400,000.00	5,675,200,000.00

33. Other current liabilities

(1) Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Long-term project settlement	6,686,488,898.15	8,762,598,108.54
Shipbuilding products	6,686,488,898.15	8,762,598,108.54
Deferred income	6,219,014.55	6,229,847.48
Government grants	6,219,014.55	6,229,847.48
Output tax to be transferred	33,806,845.46	45,404,539.26
Total	6,726,514,758.16	8,814,232,495.28

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

Item	Amount
Amount settled	9,891,758,196.95
Less: Accumulated cost incurred	3,133,893,305.42
Accumulated gross profit recognised	71,375,993.38
Projects that are settled but not yet completed under construction contract	6,686,488,898.15

NOTES TO THE FINANCIAL STATEMENTS

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(3) Government grants

Government grant project	Beginning balance	New grants received during the period	Amount included in profit or loss for the period	Others change	Ending balance	Relating to assets/ Relating to revenue
Offshore expansion project	3,500,000.00		1,750,000.00	-1,750,000.00	3,500,000.00	Relating to assets
Offshore engineering phase I	1,500,000.00		750,000.00	-750,000.00	1,500,000.00	Relating to assets
Offshore platform project	300,000.00		150,000.00	-150,000.00	300,000.00	Relating to assets
Enterprise technology centre innovation capability development project	300,000.00	-	150,000.00	-150,000.00	300,000.00	Relating to assets
150-ton self-propelled hydraulic flatbed trailer	166,666.68	-	83,333.34	-83,333.34	166,666.68	Relating to assets
Coating technology process and transformation	153,698.64	-	76,849.32	-76,849.32	153,698.64	Relating to assets
Technical upgrading for new ship research equipment	142,191.84	-	71,095.92	-71,095.92	142,191.84	Relating to assets
Base construction subsidy	62,182.78	-	31,091.39	-31,091.39	62,182.78	Relating to assets
No. 1 Dock adaptive transformation (1)	33,333.36	-	16,666.68	-16,666.68	33,333.36	Relating to assets
No. 1 Dock adaptive transformation	26,666.64	-	13,333.32	-13,333.32	26,666.64	Relating to assets
Noise control engineering for painting workshop	15,789.48	-	7,894.74	-7,894.74	15,789.48	Relating to assets
Noise control engineering for new area	9,519.96	-	4,759.98	-4,759.98	9,519.96	Relating to assets
Metering scientific instruments for the Group	9,999.96	-	4,999.98	-2,500.39	7,500.37	Relating to assets
Transferring capabilities of regional value integration and upgrading technologies	9,798.14	-	8,333.34	-	1,464.80	Relating to assets
Total	6,229,847.48		3,118,358.01	-3,107,525.08	6,219,014.55	

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

34. Long-term borrowings

Type	Ending balance	Beginning balance
Guaranteed borrowings	1,552,000,000.00	2,108,000,000.00
Credit loans	11,407,257,000.00	11,905,757,000.00
Total	12,959,257,000.00	14,013,757,000.00
The carrying amount of the above borrowings shall be repaid:		
Within one year	5,582,400,000.00	5,675,200,000.00
Over one year but less than two years after balance sheet date	2,426,000,000.00	3,345,700,000.00
Over two years but less than five years after balance sheet date	3,206,000,000.00	2,748,000,000.00
Over five years after balance sheet date	1,744,857,000.00	2,244,857,000.00
Less: Amount due within one year, as shown under current liabilities	5,582,400,000.00	5,675,200,000.00
Amount shown under non-current liabilities	7,376,857,000.00	8,338,557,000.00

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

Details of security:

As at the end of the period, long-term borrowing of RMB500,000,000.00 was guaranteed by the Company for GSI, a subsidiary of the Company;

As at the end of the period, long-term borrowing of RMB500,000,000.00 was guaranteed by Wenchong Shipyard, a subsidiary of the Company, for Huangpu Wenchong, another subsidiary of the Company;

As at the end of the period, long-term borrowing of RMB552,000,000.00 was guaranteed by Huangpu Wenchong, a subsidiary of the Company, for Wenchong Shipyard, another subsidiary of the Company.

Details of interest rates: As at the end of the period, the weighted average annual interest rate of long-term borrowings was 2.78%.

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35. Long-term employee benefits payable

Item	Ending balance	Beginning balance
Post-employment benefits – net liabilities for defined benefit plans ^{Note}	204,955,586.47	214,851,674.88
Monetary housing allowance for retired employees	49,160,296.95	53,196,900.26
Housing assistance for employees	10,855,653.83	10,646,323.28
Medical insurance for retirees	713,403.28	703,150.85
Total	265,684,940.53	279,398,049.27

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).

36. Special payables

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Item M	78,100,000.00	102,000,000.00	180,100,000.00	
Item F	241,969,744.58		241,969,744.58	
Item I	168,150,000.00		168,150,000.00	
Item J	71,650,000.00		71,650,000.00	
Item E	43,700,000.00			43,700,000.00
Item D	4,500,000.00			4,500,000.00
Item C	26,600,000.00			26,600,000.00
Item B	6,720,000.00			6,720,000.00
Item A	17,850,000.00			17,850,000.00
Item G	267,000,000.00		267,000,000.00	
Item H	192,700,000.00		192,700,000.00	
Item K	271,400,000.00	3,240,000.00	274,640,000.00	
Total	1,390,339,744.58	105,240,000.00	1,396,209,744.58	99,370,000.00

Note 1: 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.

Note 2: The decrease for the period was mainly due to the transfer of government grants for GSI and Huangpu Wenchong, both subsidiaries of the Company, to the capital reserve of CSSC.

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

Item	Ending balance
Item E	43,700,000.00
Item D	4,500,000.00
Item C	26,600,000.00
Item B	6,720,000.00
Item A	17,850,000.00
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 CSSC.

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37. Estimated liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	345,472,680.64	338,479,564.46	Warranty cost of ships and electromechanical products
Loss-making construction contracts	46,742,818.05	106,547,250.57	Note
Others	65,910,344.68	65,910,344.68	
Total	458,125,843.37	510,937,159.71	

Note: Please refer to Note VI.7(2) for details of loss-making construction contracts;

38. Deferred income

(1) Breakdown of deferred income

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Government grants	67,514,328.51	16,285,188.68	34,968,292.33	48,831,224.86
Total	67,514,328.51	16,285,188.68	34,968,292.33	48,831,224.86

(2) Government grant project

Government grant project	Beginning balance	New grants received during the period	Amount included in profit or loss for the period	Other decrease	Ending balance	Relating to assets/ Relating to revenue
Offshore expansion project	10,500,000.00			1,750,000.00	8,750,000.00	Relating to assets
Research and manufacture of drilling wave compensation device	8,400,000.00				8,400,000.00	Relating to revenue
Offshore engineering phase I	4,500,000.00			750,000.00	3,750,000.00	Relating to assets
Research of comprehensive building process and technology	6,362,503.60		1,405,648.82		4,956,854.78	Relating to revenue
Research and development and industrial application of design and building technology for deepwater drillships	7,000,000.00		3,500,000.00		3,500,000.00	Relating to revenue
Research of shipbuilding process	3,000,000.00		900,000.00		2,100,000.00	Relating to revenue
Offshore platform project	1,800,000.00			150,000.00	1,650,000.00	Relating to assets
Base construction subsidy	1,623,300.58			31,091.39	1,592,209.19	Relating to assets
09E01-3	1,400,000.00				1,400,000.00	Relating to revenue
Research and development of diving support ships	1,900,000.00		900,000.00		1,000,000.00	Relating to revenue
150-ton self-propelled hydraulic flatbed trailer	708,333.23			83,333.34	624,999.89	Relating to assets
13D01	616,900.00				616,900.00	Relating to revenue
No. 1 Dock adaptive transformation	633,333.04			16,666.68	616,666.36	Relating to assets
Research of key technologies for polar multi-purpose ships	600,000.00				600,000.00	Relating to revenue
Technical research and system development of key technologies for green cargo control for large bituminous ships	588,000.00				588,000.00	Relating to revenue
Coating technology process and transformation (construction of coating workshop)	640,410.88			76,849.32	563,561.56	Relating to assets
Construction of research and development centre	500,000.00				500,000.00	Relating to revenue
Grant for research and development centre	500,000.00				500,000.00	Relating to revenue
Technical upgrading for 40,000 ton new ship research equipment	568,766.64			71,095.92	497,670.72	Relating to assets
No. 1 Dock adaptive transformation	506,667.28			13,333.32	493,333.96	Relating to assets
Enterprise technology centre innovation capability development project	600,000.00			150,000.00	450,000.00	Relating to assets
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things		1,750,000.00	1,000,000.00	650,000.00	100,000.00	Relating to assets
Separation and transfer of water, power and gas supply and property management business	11,580,000.00		11,580,000.00			Relating to assets
Research of key technologies for polar deck ships		3,710,000.00	3,710,000.00			Relating to revenue
Smart ship demonstration project		2,830,188.68	2,830,188.68			Relating to revenue
Development of dual-fuel high-speed luxury Ro/Ro ships		2,530,000.00	2,530,000.00			Relating to revenue
Development and industrialization of intelligent manufacturing integrated platform for marine products	387,454.87	1,300,000.00	452,678.71	400,000.00	834,776.16	Relating to assets
Others	2,598,658.39	4,165,000.00	2,002,251.04	15,155.11	4,746,252.24	-
Total	67,514,328.51	16,285,188.68	30,810,767.25	4,157,525.08	48,831,224.86	

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Note: There were other decreases for other items amounting to RMB4,157,525.08 during the period, including:

- 1) Government grant to be received for the ship product intelligent manufacturing platform research and development and industrial application and the research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things, amounting to RMB1,050,000.00 in total, which were transferred to entities participating in research and development as agreed;
- 2) Government grant expected to be recognised in income statement within one year, amounting to RMB3,107,525.08, which was transferred to "other current liabilities".

39. Share capital

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

Current year

Name/type of shareholder	Beginning balance		Increase or decrease (+, -) during the year				Ending balance		
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction									
Ordinary shares denominated in RMB	549,335,881.00	38.87						549,335,881.00	38.87
Overseas listed foreign shares	246,130,307.00	17.41				345,940,890.00	345,940,890.00	592,071,197.00	41.88
Shares subject to selling restriction									
Ordinary shares denominated in RMB	272,099,300.00	19.25						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	-345,940,890.00		
	345,940,890.00	24.47				-345,940,890.00	-345,940,890.00		
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Note: During the period, the lock-up period for 345,940,890 shares held by CSSC HK expired and the restriction was lifted.

Last year

Name/type of shareholder	Beginning balance		Increase or decrease (+, -) during the year				Ending balance		
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction									
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 selling restriction									
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.

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40. Capital reserve

Current year

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share capital premium	6,783,877,295.10			6,783,877,295.10
Other capital reserves	65,728,105.74			65,728,105.74
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	6,867,866,279.63			6,867,866,279.63

Last year

Item	Beginning balance	Increase for the period	Decrease for the period	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 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.

41. Other comprehensive income

Current year:

Item	Beginning balance	Current period					Ending balance
		Amount incurred for the 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 Company after tax	Amount attributable to minority interests after tax	
I. Other comprehensive income that may not be subsequently reclassified 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
II. Other comprehensive income that may be subsequently reclassified into profit or loss Including: Gains and losses from changes in fair value of available-for-sale financial assets	1,497,282.55	213,038.28			213,038.28		1,710,320.83
Total other comprehensive income	-60,441,217.45	213,038.28			213,038.28		-60,228,179.17

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Last year

Item	Beginning balance	Current year				Ending balance
		Amount incurred for the 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 Company after tax	
I. Other comprehensive income that may not be subsequently reclassified 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
II. Other comprehensive income that may be subsequently reclassified 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

42. Special reserve

Current year

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Production safety fee	929,231.60	23,490,875.48	20,461,988.25	3,958,118.83
Total	929,231.60	23,490,875.48	20,461,988.25	3,958,118.83

Including: Special reserve falling under equity attributable to owners of the Company amounted to RMB3,958,118.83 (Last year: RMB929,231.60).

Last year

Item	Beginning balance	Increase for the period	Decrease for the period	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

43. Surplus reserve

Current year

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	932,363,971.49			932,363,971.49
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	952,284,741.72			952,284,741.72

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Last 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

44. Undistributed profit

Item	Current period	Percentage (%)
Ending balance of last year	1,173,657,685.44	
Add: Beginning adjustment to undistributed profit		
Beginning balance of the year	1,173,657,685.44	
Add: Net profit attributable to owners of the Company for the period	43,972,225.89	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
General reserve made		
Dividends payable on ordinary shares		
	22,616,102.05	
Ending balance of current period	1,195,013,809.28	

Last year

Item	Current year	Percentage (%)
Ending balance of last year	1,153,355,946.59	
Add: Beginning adjustment to undistributed profit		
Beginning balance of current year	1,153,355,946.59	
Add: Net profit attributable to shareholders of the Company for the year	71,224,250.43	
Less: Statutory surplus reserve set aside	8,517,320.24	10
Discretionary surplus reserve set aside		
General reserve made		
Dividends payable on ordinary shares	42,405,191.34	
Ending Balance of current year	1,173,657,685.44	

45. Minority interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
CSSC Huangpu Wenchong Shipbuilding Company Limited	Note	1,121,569,744.58	
Guangzhou Shipyard International Company Limited	Note	274,640,000.00	
Guangzhou Hongfan Technology Co., Ltd.	49.00	16,819,727.32	16,775,176.25
Guangzhou Longxue Pipe Co., Ltd.	57.14	32,878,589.95	29,281,451.89
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	40.00	1,224,708.38	1,224,021.08
Fonkwang Development Limited	20.00	11,547,083.54	12,937,179.26
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	19.50	575,845.26	542,285.71
Guangzhou Xinhang Human Resources Service Co., Ltd.	25.00	901,275.11	913,456.34
Guangzhou Longxue Properties Co., Ltd.	33.33	57,086.72	62,974.89
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	-	0.00	1,259,800.33
Total	-	1,460,214,060.86	62,996,345.75

Note: The minority interests of Huangpu Wenchong and GSI, both subsidiaries of the Company, represented capital reserve solely owned by CSSC, details of which are set out in Note VI. 36 Special payables.

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46. Net current assets

Item	Ending balance	Beginning balance
Current assets	28,478,491,174.25	30,577,491,173.76
Less: Current liabilities	23,184,838,223.65	25,270,541,008.68
Net current assets	5,293,652,950.60	5,306,950,165.08

47. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	43,266,821,535.75	46,268,585,829.63
Less: Current liabilities	23,184,838,223.65	25,270,541,008.68
Total assets less current liabilities	20,081,983,312.10	20,998,044,820.95

48. Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	1,450,562,726.06	445,636,500.54
Non-current liabilities due within one year	5,582,400,000.00	5,675,200,000.00
Long-term borrowings	7,376,857,000.00	8,338,557,000.00
Total	14,409,819,726.06	14,459,393,500.54

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	11,702,562,726.06	9,242,136,500.54
– Bank borrowings repayable after 5 years	1,744,857,000.00	1,744,857,000.00
Other borrowings	–	–
– Other borrowings repayable within 5 years	962,400,000.00	2,972,400,000.00
– Other borrowings repayable after 5 years	–	500,000,000.00
Total	14,409,819,726.06	14,459,393,500.54

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	7,032,962,726.06	6,120,836,500.54
1-2 years	2,626,000,000.00	3,345,700,000.00
2-5 years	3,006,000,000.00	2,748,000,000.00
Over 5 years	1,744,857,000.00	2,244,857,000.00
Total	14,409,819,726.06	14,459,393,500.54

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49. Operating income & Operating costs

Item	Current period	Corresponding period of last year
Income from principal business	10,283,017,857.53	11,242,515,184.90
Income from other business	134,513,339.92	117,433,103.89
Total	10,417,531,197.45	11,359,948,288.79
Costs of principal business	9,457,282,502.27	10,527,771,817.60
Costs of other business	112,291,475.11	107,898,517.99
Total	9,569,573,977.38	10,635,670,335.59

Gross profit

Item	Current period	Corresponding period of last year
Income from principal business	10,283,017,857.53	11,242,515,184.90
Costs of principal business	9,457,282,502.27	10,527,771,817.60
Gross profit	825,735,355.26	714,743,367.30

Income from building contracts

Item	Current period	Corresponding period of last year
Income from building contracts	9,751,631,603.45	10,529,502,425.79

(1) Principal business – by product

Product name	Current period	Corresponding period of last year
Operating income		
Shipbuilding	7,674,361,462.69	8,979,697,648.66
Offshore engineering products	1,784,423,678.93	1,549,804,777.13
Ship maintenance	48,735,468.03	64,847,696.56
Steel structure engineering	312,126,731.28	522,730,843.92
Electromechanical products and others	463,370,516.60	125,434,218.63
Total	10,283,017,857.53	11,242,515,184.90
Operating costs		
Shipbuilding	6,936,447,935.03	8,551,559,139.96
Offshore engineering products	1,805,394,959.82	1,336,593,081.40
Ship maintenance	41,150,270.39	56,933,314.16
Steel structure engineering	265,852,424.00	495,628,798.76
Electromechanical products and others	408,436,913.03	87,057,483.32
Total	9,457,282,502.27	10,527,771,817.60

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(2) **Principal business – by region**

Region	Current period	Corresponding period of last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	6,719,257,671.90	7,782,053,029.14
Other regions in Asia	866,560,420.94	909,385,935.29
Europe	1,809,924,941.80	1,992,704,245.97
Oceania	565,739,206.58	4,909,606.65
North America	264,673,443.70	452,776,095.15
Africa	56,862,172.61	100,686,272.70
Total	10,283,017,857.53	11,242,515,184.90
Operating costs		
China (including Hong Kong, Macau and Taiwan)	6,171,100,633.35	7,211,133,120.41
Other regions in Asia	825,498,288.97	889,573,991.52
Europe	1,719,938,861.32	1,895,769,841.22
Oceania	464,249,218.63	4,022,527.98
North America	257,230,365.46	430,483,352.98
Africa	19,265,134.54	96,788,983.49
Total	9,457,282,502.27	10,527,771,817.60

(3) **Other operating income and other operating costs**

Product name	Current period	Corresponding period of last year
Income from other business		
Sale of materials	21,399,381.83	2,953,786.07
Sales of scrap materials	36,650,823.98	39,243,313.53
Service income	4,976,428.39	4,044,844.74
Rental income	42,927,534.78	41,489,805.74
Energy income	23,168,451.38	24,903,802.88
Others	5,390,719.56	4,797,550.93
Total	134,513,339.92	117,433,103.89
Costs of other business		
Sale of materials	27,599,044.18	5,008,261.07
Sales of scrap materials	24,208,630.79	29,600,288.68
Service income	4,442,983.50	4,443,806.16
Rental income	32,207,445.74	33,556,799.77
Energy income	23,090,582.89	32,773,288.50
Others	742,788.01	2,516,073.81
Total	112,291,475.11	107,898,517.99

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(4) Contract income

Item	Total contract amount	Accumulated cost incurred	Accumulated gross profit recognised	Amount settled	Provision for impairment made at the end of the period
Fixed price contracts					
Total contracts under construction	39,204,519,109.80	27,536,285,669.20	399,384,098.46	24,002,693,547.92	138,275,534.00
50,000 ton series					
(tankers for product oil/chemicals)	3,399,375,806.36	1,595,800,103.27	21,203,384.02	906,055,539.56	3,484,931.67
75,000 ton series					
(tankers for product oil/chemicals)	501,744,790.00	6,140,174.16		25,504,470.00	
115,000 ton series					
(tankers for product oil/chemicals)	1,937,262,421.93	1,442,921,948.03	-18,769,883.43	664,069,522.98	2,962,257.55
250,000 ton series					
(tankers for product oil/chemicals)	2,658,332,986.04	1,823,701,333.93	29,415,112.17	859,939,115.00	2,080,870.91
300,000 ton series					
(tankers for product oil/chemicals)	944,126,952.00	14,462,744.61		317,088,488.00	
Platform ships	2,784,863,851.10	1,868,727,869.38	43,954,391.80	199,885,483.50	
Bulk carriers	745,695,513.00	810,489,394.86	5,882,106.79	270,866,453.60	12,283,250.00
Barges					
Containerships	4,406,946,821.00	1,659,602,005.53	30,228,237.48	871,331,395.07	46,028,999.04
Ro-ro passenger ships	2,681,578,580.07	1,356,508,061.57	124,881,663.13	1,254,907,547.01	
Asphalt ships	182,610,990.00	71,194,410.00		71,194,410.00	
Special ships	18,945,464,498.30	16,849,901,890.87	162,589,086.50	18,561,851,123.20	71,435,224.83
Non-ship building contracts	16,515,900.00	36,835,732.99			

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

(5) Top five customers by operating income

Customers	Current period	Percentage (%)
Customer 1	2,398,726,594.39	23.33
Customer 2	881,530,137.03	8.57
Customer 3	565,739,206.58	5.50
Customer 4	539,419,157.77	5.25
Customer 5	481,881,859.48	4.69
Total	4,867,296,955.25	47.34

(6) Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount	Percentage (%)
Entity 1	Under common control of CSSC	1,519,460,575.67	16.07
Entity 2	Third party	162,145,811.97	1.71
Entity 3	Under common control of CSSC	116,615,539.29	1.23
Entity 4	Under common control of CSSC	102,498,719.55	1.08
Entity 5	Under common control of CSSC	83,160,273.50	0.88
Total		1,983,880,919.98	20.97

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50. Taxes and surcharges

Item	Current period	Corresponding period of last year
Business tax		2,834,725.61
City maintenance and construction tax	8,411,239.20	4,894,783.76
Educational surcharge	6,007,549.41	3,509,932.34
Property tax	11,840,864.66	
Land use tax	5,729,219.85	
Vehicle usage tax	269,394.24	
Stamp duty	2,214,004.58	
Flood control fee		
Total	34,472,271.94	11,239,441.71

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.

51. Selling expense

Item	Current period	Corresponding period of last year
Ship maintenance fees	65,166,106.44	83,749,244.81
Transportation fees	1,328,074.39	1,204,110.60
Employee salaries	10,675,638.43	10,532,614.92
Business expenditure	1,284,054.90	1,561,934.58
Advertising fee	751,107.24	581,315.15
Exhibition fees	1,018,913.15	750,747.27
Travelling expense	1,478,497.88	1,114,577.45
Lease expenses	361,310.98	185,185.70
Depreciation charge	32,062.38	60,121.00
Other selling expenses	504,668.57	292,564.13
Total	82,600,434.36	100,032,415.61

52. Administrative expense

Item	Current period	Corresponding period of last year
Employee salaries	190,979,341.13	175,813,637.66
Research and development expenses	147,018,458.15	175,476,259.73
Repairing expenses	46,285,991.57	91,325,877.17
Taxation		11,920,421.79
Labour service fee	10,012,729.15	13,904,028.44
Depreciation charge	19,937,729.64	21,375,827.10
Amortisation of intangible assets	26,730,799.69	26,288,392.58
Business entertainment expenses	2,113,699.11	2,812,875.49
Travelling expense	4,592,479.46	4,114,673.70
Security expense	8,353,412.43	12,643,756.52
Intermediary fee	1,085,362.63	2,494,278.01
Board meeting fee	1,065,029.38	414,437.26
Utilities expense	4,072,242.40	3,816,917.48
Office expenses	1,421,386.87	2,270,951.81
Lease expenses	19,524,020.03	13,118,223.11
Insurance premium	2,438,827.18	2,356,031.54
Environmental protection fee	7,180,264.44	6,359,162.13
Others	30,540,160.83	29,429,010.86
Total	523,351,934.09	595,934,762.38

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53. Finance costs

(1) Breakdown of finance costs

Item	Current period	Corresponding period of last year
Interest expense	190,480,197.43	228,991,075.50
Less: Interest income	113,527,866.70	186,728,656.23
Add: Exchange losses	115,707,216.92	-36,398,324.82
Add: Other expenses	5,804,282.08	3,801,410.00
Total	198,463,829.73	9,665,504.45

(2) Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years	158,427,258.92	129,754,477.16
Interest on bank borrowings due after 5 years		
Sub-total	158,427,258.92	129,754,477.16
Other borrowings		
Interest on other borrowings due within 5 years	36,485,566.42	106,837,966.11
Interest on other borrowings due after 5 years		
Sub-total	36,485,566.42	106,837,966.11
Less: Interest capitalised	4,432,627.91	7,601,367.77
Total	190,480,197.43	228,991,075.50

(3) Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	113,527,866.70	186,728,656.23
Total	113,527,866.70	186,728,656.23

54. Loss on impairment of assets

Item	Current period	Corresponding period of last year
Loss on bad debts	-4,003,144.53	9,801,931.40
Loss on impairment of inventories	18,310,217.17	65,544,894.02
Total	14,307,072.64	75,346,825.42

55. Gain/loss on change in fair value

Item	Current period	Corresponding period of last year
Financial assets at fair value through profit or loss		-11,135,343.00
Financial liabilities at fair value through profit or loss	-655,224.92	160,419,029.40
Total	-655,224.92	149,283,686.40

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56. Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	310,227.63	659,270.82
Investment income from disposal of long-term equity investments	19,349.00	26,896,200.00
Investment income from disposal of financial assets at fair value through profit or loss	4,200.02	-131,634,660.72
Investment income from holding available-for-sale financial assets	76,008.09	11,250.00
Gain on entrusted wealth management products	26,507,232.89	29,277,064.59
Total	26,917,017.63	-74,790,875.31

The investment income from listed and non-listed investments for current period amounted to RMB76,008.09 and RMB26,841,009.54, respectively.

57. Other income

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Offshore expansion project	1,750,000.00		Huangpu District Treasury Payment Centre	Relating to assets
Research and development subsidy	111,500.00		Government grant	Relating to revenue
Refund upon payment	714,152.98		Refund of tax for software	Relating to revenue
Special post-R&D grant project	6,152,000.00		Municipal government	Relating to revenue
Metering scientific instruments for the Group	4,999.98		Commission for Science, Technology and Industry for National Defense	Relating to assets
150-ton self-propelled hydraulic flatbed trailer	83,333.34		Central government	Relating to assets
Technological upgrading and potential exploration fund – technical upgrading for new ship research equipment for 40,000 ton ships	71,095.92		Commission for Science, Technology and Industry for National Defense	Relating to assets
Noise control engineering for painting workshop	7,894.74		Municipal Environmental Protection Bureau	Relating to assets
Coating technology process and transformation (construction of coating workshop)	76,849.32		Municipal government	Relating to assets
Noise control engineering for new area	4,759.98		Municipal Environmental Protection Bureau	Relating to assets
Transferring capabilities of regional value integration and upgrading technologies	8,333.34		Commission for Science, Technology and Industry for National Defense	Relating to assets
No. 1 Dock adaptive transformation (1)	16,666.68		Provincial government	Relating to assets
Nansha government special fund for 2016 service outsourcing	400,000.00		Municipal government	Relating to revenue
Special grant of Nansha Development Zone for transformation and upgrading of processing trade for 2016	1,000,000.00		Municipal government	Relating to revenue
Subsidies for 7 projects including marine passenger/ medical cargo elevators	180,200.00		In accordance with the relevant requirements of the implementation proposal for special post-utilisation grant for research and development expenses of enterprises in Guangzhou	Relating to revenue
Technological innovations	409,300.00		Guangzhou Technological Innovation Committee	Relating to revenue
Special post-R&D grant for enterprises in Guangzhou for 2016	8,123,700.00		National government subsidy	Relating to revenue
Enterprise technology centre innovation capability development project	150,000.00		Central government	Relating to assets
No. 1 Dock adaptive transformation	13,333.32		Municipal government	Relating to assets
Base construction subsidy (Zhong Kai Guan Ban [2009] No.74)	31,091.39		Government grants	Relating to assets
Offshore engineering project phase I	750,000.00		Huangpu District Treasury Payment Centre	Relating to assets
Offshore platform project	150,000.00		Huangpu District Treasury Payment Centre	Relating to assets
Total	20,209,210.99			

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58. Non-operating income

(1) Breakdown of non-operating income

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Gain on disposal of non-current assets	1,501,708.53	740,368.61	1,501,708.53
Including: Gain on disposal of fixed assets	1,501,708.53	740,368.61	1,501,708.53
Government grants	13,503,420.00	61,513,539.76	13,503,420.00
Penalty income	48,700.00	230,514.00	48,700.00
Compensation income			
Others	7,759,062.37	3,764,481.08	7,759,062.37
Total	22,812,890.90	66,248,903.45	22,812,890.90

The amount included in non-recurring gains and losses for the period was RMB22,812,890.90 (Corresponding period of last year: RMB42,478,903.45).

(2) Breakdown of government grants

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Interest subsidy		13,000,000.00	Ministry of Finance	Relating to revenue
Research of shipbuilding process and technology		4,265,807.54	National government subsidy	Relating to revenue
Offshore expansion project		1,750,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao Ji Gai [2009] No. 666, Yue Jing Mao [2009] No. 870	Relating to assets
Offshore engineering phase I		750,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao [2008] No. 35	Relating to assets
Refund of tax for sale of self-developed software		890,627.79	Refund of tax by the State Administration of Taxation	Relating to revenue
Tax relief for land use right tax and property tax for 2013		933,918.97	Refund of tax by taxation bureau	Relating to revenue
Enterprise technology centre innovation capability development project		150,000.00	Central government	Relating to assets
Offshore platform project		150,000.00	Huangpu District Treasury Payment Centre	Relating to assets
Base construction subsidy		31,091.39	National government subsidy	Relating to assets
Development of dual-fuel high-speed luxury Ro/Ro ships		4,534,684.96	MIIT	Relating to revenue
Export credit insurance special funds for 2015		4,000,000.00	National government subsidy	Relating to revenue
Steady industrial growth bonus		2,000,000.00	National government subsidy	Relating to revenue
Research and development of semi-submerged engineering ships		4,927,333.64	National Development and Reform Commission	Relating to revenue
Provincial post-R&D grant		2,375,000.00	Sui Ke Chuang Zi [2016] No. 68	Relating to revenue
Provincial post-R&D grant in Guangdong Province		4,349,400.00	Huangpu District Treasury Payment Centre	Relating to revenue
Interest subsidy for transformation into civil development		10,770,000.00	CSSC	Relating to revenue
Special government grant for research and development of enterprises in Guangdong Province for 2015		1,688,300.00	National government subsidy	Relating to revenue
Special funds for cultivation of provincial high-tech enterprises for 2015		3,311,700.00	National government subsidy	Relating to revenue
Research and development and industrial application of FPSO upgrading technology		918,666.37	National Development and Reform Commission	Relating to revenue
Incentive subsidy for contribution to local economic development by headquarters for 2016-2017	1,400,000.00		National government subsidy	Relating to revenue
Copyright registration assistance	21,470.00		Copyright registration assistance	Relating to revenue
Intellectual property right incentive	381,610.00		Intellectual property right incentive	Relating to revenue
Patent subsidy	90,340.00		Municipal government	Relating to assets
Separation and transfer of water, power and gas supply and property management business by the Ministry of Finance	11,580,000.00		Ministry of Finance	Relating to assets
"Little Giant" invoicing increase incentive	30,000.00		Economy and Information Committee of Jiangdu District	Relating to revenue
Other projects		717,009.10		
Total	13,503,420.00	61,513,539.76		

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From 1 January 2017 to 30 June 2017

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59. Non-operating expenses

Item	Current period	Last year	Amount included in non-recurring gains and losses for current period
Total losses on disposal of non-current assets	536,575.45	5,026,795.10	536,575.45
Including: Loss on disposal of fixed assets	536,575.45	5,026,795.10	536,575.45
Penalty expense		2,666.95	
Compensation expense			
External donations	20,867.00	2,000.00	20,867.00
Others	420,470.64	157,894.33	420,470.64
Total	977,913.09	5,189,356.38	977,913.09

The amount included in non-recurring profit and loss for the period was RMB977,913.09 (Corresponding period of last year: RMB5,189,356.38).

60. Income tax expenses

(1) Income tax expenses

Item	Current period	Last year
Current income tax – PRC enterprise income tax	8,991,198.93	22,637,553.28
1. China	8,991,198.93	22,627,267.72
2. Hong Kong		
3. Over-provision (Under-provision) in prior years		10,285.56
Deferred tax	2,120,463.15	1,196,661.35
Total	11,111,662.08	23,834,214.63

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

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

Item	Current period	Last year
Total consolidated profit for current period	63,067,658.82	67,611,361.79
Income tax expenses calculated at statutory/applicable tax rate	15,766,914.71	16,902,840.45
Impact of different tax rates for subsidiaries	-1,708,332.65	-10,486,189.67
Impact of adjustment for income tax for previous periods		11,727.47
Impact of non-taxable income	-77,556.91	-108,358.96
Impact of non-deductible costs, expenses and losses	582,844.92	427,446.20
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-5,852,968.85	-2,244,625.22
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	2,400,671.18	19,331,374.36
Under-provision for income tax for prior years		
Change in beginning balance of deferred tax assets/liabilities as a result of change in tax rate		
Income tax expenses	11,111,662.08	23,834,214.63

61. Audit fees and auditor

The audit fees charged for 2017 are RMB2.42 million (2016: RMB2.6 million). The auditor engaged by the Company is ShineWing Certified Public Accountants (special general partnership), and there has not been any change of auditor since 2011.

NOTES TO THE FINANCIAL STATEMENTS

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62. Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of investment properties	314,356.08	314,356.08
Depreciation of fixed assets	346,952,334.00	331,233,008.51
Amortisation of intangible assets	29,226,818.77	28,815,016.82
Amortisation of long-term prepaid expenses	4,625,478.94	4,961,274.00
Total	381,118,987.79	365,323,655.41

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

None.

64. Operating rental expense

Operating rental expense for the period is RMB89,314,859.22 (Corresponding period of last year: RMB103,241,948.64), of which rental expenditure for machinery is RMB616,793.59 (Corresponding period of last year: RMB11,674,877.51).

65. Rental income

Operating rental income for the period is RMB42,927,534.78 (Corresponding period of last year: RMB34,333,089.14), of which rental income from land and buildings is RMB14,855,247.44 (Corresponding period of last year: RMB16,290,259.49).

66. 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 recognised interest expense of dilutive potential ordinary shares; (2) income or expense that would result from the conversion of dilutive potential ordinary shares; and (3) the related income tax effects of the above adjustments.

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

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

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

Item	No.	Current period	Corresponding period of last year
Net profit attributable to shareholders of the Company	1	43,972,225.89	37,072,739.65
Non-recurring gains and losses attributable to the Company	2	62,527,020.28	104,306,065.68
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	-18,554,794.39	-67,233,326.03
Total number of shares at the beginning of the year	4	1,413,506,378.00	1,413,506,378.00
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		
Number of months from next month to the year-end regarding the number of shares (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the next month to the year-end regarding the decrease of shares	9		
Number of shares decreased due to capital reduction	10		
Number of months in the reporting period	11	6.00	6.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,413,506,378.00
Weighted average number of ordinary shares outstanding following adjustments in relation to business combination under common control for the purposes of earnings per share after deduction of non-recurring gains and losses	13	1,413,506,378.00	1,413,506,378.00
Basic earnings per share (I)	14=1÷12	0.0311	0.0262
Basic earnings per share (II)	15=3÷13	-0.0131	-0.0476
Potential diluted interests of ordinary shares recognised as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25
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)	0.0311	0.0262
Diluted earnings per share (II)	21=[3+(16-18)×(1-17)]÷(13+19)	-0.0131	-0.0476

Note: According to Article No. 8 – For business combination under common control during the reporting period, the acquirer issues new shares on the date of combination and uses it as consideration under No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies – Calculation and Disclosure of Return on Equity and EPS (2010 Revised), when calculating basic earnings per share as at the end of the reporting period, the shares shall be treated as outstanding ordinary shares at the beginning of the combination (to calculate the weighted average using weighting as 1). When calculating basic earnings per share at the comparative period, shares shall be treated as outstanding ordinary shares at the beginning of the comparative period. When calculating earnings per share as at the end of the reporting period (after deducting non-recurring gains and losses), new shares issued by acquirer after combination shall be weighted starting from the next month. When calculating earnings per share as at the end of the comparative period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall not be weighted (weighting is zero).

67. Dividends

Final dividends for the year ended 31 December 2016 totalling RMB22,616,102.05 were declared and paid during the six months ended 30 June 2017 (2016: RMB42,405,191.34).

According to a resolution of the board of directors of the Company dated 30 August 2017, the Company will not distribute the interim dividends for the six-month period ended 30 June 2017 (Corresponding period of last year: nil).

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

68. Other comprehensive income

Item	Current period	Corresponding period of last year
1. Gains (losses) on available-for-sale financial assets	213,038.28	-442,464.12
Less: Tax effects of available-for-sale financial assets		-110,616.03
Net amounts previously included in other comprehensive income and transferred to profit or loss for the period		
2. Items that may not be subsequently reclassified into profit and loss		
Actuarial gains		
Total	213,038.28	-331,848.09

69. Supplementary information on consolidated income statement

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

Item	Current period	Corresponding period of last year
Raw materials consumed	6,719,944,665.53	7,156,772,384.38
Employee compensation expenses	1,833,474,385.24	2,051,576,549.97
Depreciation expenses	347,266,690.08	331,547,364.59
Amortisation expenses	33,852,297.71	33,776,290.82
Product fee	748,618,462.87	839,517,124.62
Utilities fee	147,231,450.04	192,932,275.37
Taxes and surcharges		11,920,421.79
Others	345,138,394.36	713,595,102.04
Total	10,175,526,345.83	11,331,637,513.58

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 period	Corresponding period of last year
Income from other current accounts received	124,062,623.46	180,576,731.77
Government grants	59,708,520.00	48,391,888.68
Other non-operating income	18,474,210.01	2,959,430.83
Interest income	51,980,221.38	41,379,578.17
Total	254,225,574.85	273,307,629.45

2) Other cash payments relating to operating activities

Item	Current period	Corresponding period of last year
Administrative expense	82,386,884.76	104,766,273.09
Selling expense	6,726,627.11	1,798,409.28
Non-operating expenses	63,042.27	892,830.04
Warranty expense	58,172,990.26	25,665,833.31
Payment of other current accounts	289,725,176.33	74,179,701.65
Bank charges	5,804,282.08	3,742,607.66
Security deposit	38,647,698.73	
Total	481,526,701.54	211,045,655.03

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3) *Other cash receipts relating to investing activities*

Item	Current period	Corresponding period of last year
Release of pledge on fixed deposits	769,125,843.81	5,487,726,168.00
Interest income from fixed deposits and other interest income	78,465,221.93	161,500,678.42
Total	847,591,065.74	5,649,226,846.42

4) *Other cash payments relating to investing activities*

Item	Current period	Corresponding period of last year
Pledge of fixed deposit	151,436,847.56	5,198,338,115.03
Net cash from disposal of Xingji	2,953,399.87	
Total	154,390,247.43	5,198,338,115.03

5) *Other cash receipts relating to financing activities*

Item	Current period	Corresponding period of last year
State subsidy	105,240,000.00	39,000,000.00
Others		
Total	105,240,000.00	39,000,000.00

6) *Other cash payments relating to financing activities*

Item	Current period	Corresponding period of last year
Others	75,000.00	
Total	75,000.00	

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(2) Supplementary information on consolidated cash flow statement

Item	Current period	Corresponding period of last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	51,955,996.74	43,777,147.16
Add: Provision for impairment of assets	14,851,375.79	75,346,825.42
Depreciation of fixed assets	347,266,690.08	331,547,364.59
Amortisation of intangible assets	29,226,818.77	28,815,016.82
Amortisation of long-term prepaid expenses	4,625,478.94	4,961,274.00
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")	-965,354.06	4,286,426.49
Loss on disposal of fixed assets (Gain expressed with "-")	220.98	0.00
Loss on changes in fair value (Gain expressed with "-")	655,224.92	-149,283,686.40
Finance cost (Gain expressed with "-")	98,089,217.75	34,299,350.10
Loss on investments (Gain expressed with "-")	-26,917,017.63	74,790,875.31
Decrease in deferred tax assets (Increase expressed with "-")	2,120,463.15	2,649,362.68
Increase in deferred tax liabilities (Decrease expressed with "-")		-1,452,701.33
Decrease in inventories (Increase expressed with "-")	-910,113,086.53	314,418,021.53
Decrease in operating receivables (Increase expressed with "-")	-428,539,500.38	-1,054,024,514.64
Increase in operating payables (Decrease expressed with "-")	-2,954,525,069.03	-3,458,648,497.40
Others		
Net cash flows from operating activities	-3,772,268,540.51	-3,748,517,735.67
2. Significant non-cash investing and financing activities:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
3. Changes in cash and cash equivalents:		
Cash balance at the end of the year	6,581,319,317.54	9,042,946,240.62
Less: Cash balance at the beginning of the year	9,885,435,368.48	9,232,645,596.18
Add: Balance of cash equivalents at the end of the year		
Less: Balance of cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	-3,304,116,050.94	-189,699,355.56

(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	6,581,319,317.54	9,885,435,368.48
Including: Cash on hand	450,629.31	463,241.63
Bank deposits available for use on demand	6,580,793,903.23	9,884,636,728.42
Other cash at bank and on hand for use on demand	74,785.00	335,398.43
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents at the end of the period	6,581,319,317.54	9,885,435,368.48
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use		

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71. Assets subject to restrictions in ownership or use right

Item	Closing carrying value	Reason for restrictions
Cash and cash equivalents	1,844,694,265.18	Pledged to secure borrowings, letters of guarantees/bills/letter of credit and fixed deposits with maturity of over 3 months

72. Foreign currency monetary items

Item	Ending balance of foreign currency	Translation rate	Ending balance of RMB
Cash and cash equivalents	–	–	4,995,943,634.81
Including: US\$	699,991,000.78	6.7744	4,742,019,052.24
EUR	15,937,067.75	7.7496	123,505,900.14
JPY	125,762.00	0.0605	7,606.71
HKD	150,123,672.90	0.8679	130,295,338.15
GBP	917.25	8.8144	8,085.01
MOP	127,393.29	0.8450	107,647.32
Accounts receivable	–	–	179,931,150.58
Including: US\$	23,257,559.58	6.7744	157,556,011.63
EUR	1,703,638.43	7.7496	13,202,516.36
HKD	7,377,482.69	0.8679	6,403,063.12
MOP	3,277,585.17	0.8450	2,769,559.47
Interest receivable	–	–	4,329,261.47
Including: US\$	639,061.98	6.7744	4,329,261.47
Other receivables	–	–	6,653,651.39
Including: US\$	329,969.89	6.7744	2,235,348.03
EUR	–	–	–
JPY	–	–	–
HKD	4,448,625.31	0.8679	3,861,050.88
MOP	659,449.10	0.8450	557,252.48
Long-term receivables	–	–	138,536,480.00
Including: US\$	20,450,000.00	6.7744	138,536,480.00
Accounts payable	–	–	11,091,602.19
Including: US\$	338,633.62	6.7744	2,294,039.60
HKD	10,136,375.00	0.8679	8,797,562.59
Other payables	–	–	1,966,200.63
Including: US\$	207,991.42	6.7744	1,409,017.08
HKD	554,741.85	0.8679	481,471.55
MOP	89,600.00	0.8450	75,712.00
Interest payable	–	–	9,041.23
Including: EUR	1,166.67	7.7496	9,041.23
Short-term borrowings	–	–	68,074,726.06
Including: US\$	398,475.00	6.7744	2,699,429.04
EUR	8,435,957.60	7.7496	65,375,297.02

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73. Government grants

(1) Basic information of government grants

Type	Amount	Item presented	Amount included in profit or loss
Interest subsidy for transformation into civil development	28,260,000.00	Finance cost	28,260,000.00
Separation and transfer of water, power and gas supply and property management business	11,580,000.00	Non-operating income	11,580,000.00
Incentive subsidy for contribution to local economic development by headquarters for 2016-2017	1,400,000.00	Non-operating income	1,400,000.00
Intellectual property right incentive Other projects	381,610.00	Non-operating income	381,610.00
Special post-R&D grant project	141,810.00	Non-operating income	141,810.00
Offshore expansion project	14,275,700.00	Other income	14,275,700.00
Offshore engineering phase I	1,750,000.00	Other income	1,750,000.00
Offshore platform project	750,000.00	Other income	750,000.00
Special grant of Nansha Development Zone for transformation and upgrading of processing trade for 2016	150,000.00	Other income	150,000.00
Refund upon payment	1,000,000.00	Other income	1,000,000.00
Technological innovations	714,152.98	Other income	714,152.98
Nansha government special fund for 2016 service outsourcing	409,300.00	Other income	409,300.00
Subsidies for 7 projects including marine passenger/medical cargo elevators	400,000.00	Other income	400,000.00
Enterprise technology centre innovation capability development project	180,200.00	Other income	180,200.00
Research and development subsidy Other projects	150,000.00	Other income	150,000.00
Offshore expansion project	111,500.00	Other income	111,500.00
Offshore engineering phase I	318,358.01	Other income	318,358.01
Offshore platform project	3,500,000.00	Other current liabilities	
Enterprise technology centre innovation capability development project	1,500,000.00	Other current liabilities	
150-ton self-propelled hydraulic flatbed trailer	300,000.00	Other current liabilities	
Coating technology process and transformation	300,000.00	Other current liabilities	
Technical upgrading for new ship research equipment	166,666.68	Other current liabilities	
Other projects	153,698.64	Other current liabilities	
Special post-R&D grant project	142,191.84	Other current liabilities	
Research of key technologies for polar deck ships	156,457.39	Other current liabilities	
Research and development and industrial application of design and building technology for deepwater drillships	7,680,600.00	Administrative expense	7,680,600.00
Smart ship demonstration project	3,710,000.00	Administrative expense	3,710,000.00
Development of dual-fuel high-speed luxury Ro/Ro ships	3,500,000.00	Administrative expense	3,500,000.00
Research of comprehensive building process and technology	3,500,000.00	Administrative expense	3,500,000.00
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things		Administrative expense	
Self-development of diving support ships	2,830,188.68	Administrative expense	2,830,188.68
Research of shipbuilding process	2,530,000.00	Administrative expense	2,530,000.00
Intelligent ship 1.0 project – demonstration application of very large intelligent ore carrier	1,405,648.82	Administrative expense	1,405,648.82
Research and development institution construction grant from Guangzhou Technological Innovation Committee	1,000,000.00	Administrative expense	1,000,000.00
	900,000.00	Administrative expense	900,000.00
	900,000.00	Administrative expense	900,000.00
	700,000.00	Administrative expense	700,000.00
	600,000.00	Administrative expense	600,000.00

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Type	Amount	Item presented	Amount included in profit or loss
Research and development of key technologies for large air cushion landing crafts	500,000.00	Administrative expense	500,000.00
Development and industrialization of intelligent manufacturing integrated platform for marine products	452,678.71	Administrative expense	452,678.71
Research of shipbuilding document implementation and technology	381,186.81	Administrative expense	381,186.81
Development of military industry standards	156,040.74	Administrative expense	156,040.74
Production-college-research project of Guangzhou Association for Science and Technology for 2017	140,000.00	Administrative expense	140,000.00
Other projects	125,023.49	Administrative expense	125,023.49
Offshore expansion project	8,750,000.00	Deferred income	
Research and manufacture of drilling wave compensation device	8,400,000.00	Deferred income	
Offshore engineering phase I	3,750,000.00	Deferred income	
Research of comprehensive building process and technology	4,956,854.78	Deferred income	
Research and development and industrial application of design and building technology for deepwater drillships	3,500,000.00	Deferred income	
Research of shipbuilding process	2,100,000.00	Deferred income	
Offshore platform project	1,650,000.00	Deferred income	
Base construction subsidy	1,592,209.19	Deferred income	
09E01-3	1,400,000.00	Deferred income	
Research and development of diving support ships	1,000,000.00	Deferred income	
150-ton self-propelled hydraulic flatbed trailer	624,999.89	Deferred income	
13D01	616,900.00	Deferred income	
No. 1 Dock adaptive transformation	616,666.36	Deferred income	
Research of key technologies for polar multi-purpose ships	600,000.00	Deferred income	
Technical research and system development of key technologies for green cargo control for large bituminous ships	588,000.00	Deferred income	
Coating technology process and transformation (construction of coating workshop)	563,561.56	Deferred income	
Construction of research and development centre	500,000.00	Deferred income	
Grant for research and development centre	500,000.00	Deferred income	
Technical upgrading for 40,000 ton new ship research equipment	497,670.72	Deferred income	
No. 1 Dock adaptive transformation	493,333.96	Deferred income	
Enterprise technology centre innovation capability development project	450,000.00	Deferred income	
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things	100,000.00	Deferred income	
Development and industrialization of intelligent manufacturing integrated platform for marine products	834,776.16	Deferred income	
Others	4,746,252.24	Deferred income	
Total	144,534,237.65	-	89,483,998.24

(2) Return of government grants

There was no return by the Group of government grants.

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VII. CHANGES IN SCOPE OF CONSOLIDATION

1. Disposal of equity interest in certain subsidiaries

Huangpu Wenchong, a subsidiary of the Company, transferred its equity interest in Guangzhou Xingji Marine Engineering Design & Research Institute to Shanghai Merchant Ship Design & Research Institute. Huangpu Wenchong previously contributed capital of RMB3,750,000 (representing 75% registered capital) and disposed of its equity interest amounting to RMB1,875,000 (representing 37.5% registered capital) at a consideration of RMB1,912,500. Huangpu Wenchong received the consideration of RMB1,912,500 on 10 January 2017.

2. Save for above, there were no changes in the scope of consolidation for the Group during the Reporting Period.

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	Provision of services	500		100.00	Establishment through investment
Guangzhou Hongfan Hotel Co., Ltd.	Guangzhou	Catering services	11,940		100.00	Investment
Glory Group Development Limited	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 Co., Ltd.	Zhanjiang	Provision 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
Guangzhou Xinhang Human Resources Service Co., Ltd.	Guangzhou	Provision 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 Wenchuan Heavy Industrial Co., Ltd.	Guangzhou	Equipment manufacturing	3,000		100.00	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	
Subsidiaries indirectly held through four-level structures						
Fonkwang Development Limited	Hong Kong	General trading	HK\$200,000		80.00	Establishment through investment
Guangzhou CSSC Wenchong Bingshen Co., Ltd. ^{Note 2}	Guangzhou	Equipment manufacturing	560		60.00	Business combination under common control
Subsidiaries indirectly held through five-level structures						
Fonkwang (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 effective control over the Pipe Company, and it is therefore included in the scope of consolidation.

Note 2: Guangzhou United Steel Structures Limited and Guangzhou CSSC Wenchong Bingsheng Facilities Co., Ltd. are joint ventures of the Group.

(2) Significant non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interests	Gain or loss attributable to minority interests for the year	Dividends declared to minority interests for the year	Ending balance of minority interests
Fonkwang Development Limited	20.00%	4,325,904.28	5,716,000.00	11,547,083.54

(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
Fonkwang Development Limited	18,008.65	16.59	18,025.24	12,251.70		12,251.70	26,672.09	21.08	26,693.17	20,224.58		20,224.58

(Continued)

Name of subsidiary	Current period				Corresponding period of 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
Fonkwang Development Limited	8,309.69	2,162.95	2,162.95	-3,374.97	36,331.11	824.29	824.29	15,894.04

(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.

NOTES TO THE FINANCIAL STATEMENTS

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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/ Current Period	Beginning balance/ Corresponding period of last year
Associates:		
Total carrying amount of investments	71,146,904.29	68,961,676.66
Amounts in aggregate in proportion to the shareholdings		
– Net profit	310,227.63	659,270.82
– Other comprehensive income		
– Total comprehensive income	310,227.63	659,270.82

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

None.

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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 analyse all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

(1) Market risks

1) Foreign currency 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 30 June 2017, 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 unrecognised ship settlement in USD shown in the table below, leading to foreign currency risk, may affect the results of operation of the Group.

Item	30 June 2017	31 December 2016
Cash and cash equivalents-USD	699,991,000.78	452,289,126.10
Cash and cash equivalents-HKD	150,123,672.90	218,990,321.27
Cash and cash equivalents-EUR	15,937,067.75	3,207,310.57
Cash and cash equivalents-MOP	127,393.29	33,471.90
Cash and cash equivalents-JPY	125,762.00	125,762.00
Cash and cash equivalents-GBP	917.25	917.25
Accounts receivable-USD	23,257,559.58	25,214,487.38
Accounts receivable-HKD	7,377,482.69	42,046,484.65
Accounts receivable-MOP	3,277,585.17	3,277,208.84
Accounts receivable-EUR	1,703,638.43	1,056,219.72
Other receivables-USD	329,969.89	2,535,710.33
Other receivables-HKD	4,448,625.31	8,869,268.18
Other receivables-MOP	659,449.10	659,737.39
Interest receivable-USD	639,061.98	134,880.08
Long-term receivables-USD	20,450,000.00	21,360,000.00
Accounts payable-USD	338,633.62	3,589,974.67
Accounts payable-HKD	10,136,375.00	44,265,797.27
Interest payable-EUR	1,166.67	
Other payables-USD	207,991.42	2,376,499.77
Other payables-HKD	554,741.85	4,925,627.62
Other payables-MOP	89,600.00	149,582.82
Short-term borrowings-USD	398,475.00	1,204,681.50
Short-term borrowings-EUR	8,435,957.60	517,275.00

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.

NOTES TO THE FINANCIAL STATEMENTS

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2) *Interest rate risk*

The interest rate risk of the Group is generated from bank borrowings with interest rate. Floating-rate financial liabilities expose the Group to cash flow interest rate risk, and fixed-rate financial liabilities expose the Group to fair value interest rate risk. The Group adjusts the relative percentage of contracts with floating rates and fixed rates in view of the then market environment. As at 30 June 2017, the Group's bank borrowings mainly included fixed interest rate contracts in RMB and USD with total amount of RMB5,957,345,000.00 (31 December 2016: RMB4,594,857,000.00) and floating interest rate contracts in RMB and USD with total amount of RMB8,452,474,726.06 (31 December 2016: RMB9,864,536,500.54).

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 maintenance, offshore engineering products and electromechanical products at market price, and is subject to the price fluctuations.

(2) **Credit risk**

As at 30 June 2017, 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 recognised 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 RMB985,619,677.20 (31 December 2016: RMB653,010,892.43).

(3) **Liquidity risk**

Liquidity risk refers to the risk that the Group could not meet its financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of reputation of the Group. The analysis of liabilities structure and durations is made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutes to remain the credit lines and reduce liquidity risks

The sources of funding of the Group are mainly from bank borrowings. As at 30 June 2017, the unutilised bank facilities of the Group were RMB31,835 million (31 December 2016: RMB36,357 million).

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

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Amount as at 30 June 2017:

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets	11,105,947,952.43	882,316,421.98	-	23,831,701.59	12,012,096,076.00
Cash and cash equivalents	8,426,013,582.72	-	-	-	8,426,013,582.72
Notes receivable	61,291,937.59	-	-	-	61,291,937.59
Accounts receivable	1,738,800,158.40	-	-	-	1,738,800,158.40
Other receivables	84,911,550.85	-	-	-	84,911,550.85
Interest receivable	93,930,722.87	-	-	-	93,930,722.87
Long-term receivables	-	582,316,421.98	-	-	582,316,421.98
Entrusted wealth management products	701,000,000.00	300,000,000.00	-	-	1,001,000,000.00
Available-for-sale financial assets	-	-	-	23,831,701.59	23,831,701.59
Financial liabilities	15,730,436,319.88	2,646,505,441.66	3,067,516,324.97	1,919,878,136.44	23,364,336,222.95
Short-term borrowings	1,450,562,726.06	-	-	-	1,450,562,726.06
Financial liabilities at fair value through profit or loss	655,224.92	-	-	-	655,224.92
Notes payable	1,336,659,948.06	-	-	-	1,336,659,948.06
Accounts payable	6,873,200,038.42	-	-	-	6,873,200,038.42
Other payables	260,660,354.52	-	-	-	260,660,354.52
Dividends payable	30,656,057.74	-	-	-	30,656,057.74
Interest payable	18,173,157.90	-	-	-	18,173,157.90
Employee benefits payable	97,617,874.40	-	-	-	97,617,874.40
Taxes payable	71,208,900.40	-	-	-	71,208,900.40
Long-term employee benefits payable	8,642,037.46	20,505,441.66	61,516,324.97	175,021,136.44	265,684,940.53
Long-term borrowings	5,582,400,000.00	2,626,000,000.00	3,006,000,000.00	1,744,857,000.00	12,959,257,000.00

2. Sensitivity analysis

The Group adopts sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

(1) Exchange 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 period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
US\$	Strengthened by 5% against RMB	188,798,202.13	188,798,202.13	152,953,434.09	152,953,434.09
US\$	Weakened by 5% against RMB	-205,610,331.91	-205,610,331.91	-177,287,812.71	-177,287,812.71

(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.

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

Item	Interest rate change	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-88,749,042.10	-88,749,042.10	-31,094,543.70	-31,094,543.70
Floating-rate borrowings	Decrease by 1%	88,749,042.10	88,749,042.10	31,094,543.70	31,094,543.70

X. DISCLOSURE OF FAIR VALUE

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

Item	Fair value at the end of the period			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	3,364,912.32			3,364,912.32
(1) Investment in equity instruments	3,364,912.32			3,364,912.32
Total assets measured at fair value on a recurring basis	3,364,912.32			3,364,912.32
(ii) Held-for-trading financial liabilities		655,224.92		655,224.92
(1) Swap exchange purchase		655,224.92		655,224.92
Total liabilities measured at fair value on a recurring basis		655,224.92		655,224.92

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 30 June 2017.

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

Of the held-for-trading financial liabilities, financial derivatives measured at fair value represented swap exchange purchase, and the Company recognised their fair value at the difference between the quoted exchange rate by the banks at the balance sheet date and the contractual exchange rate.

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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	Parties acting in concert
CSSC HK	345,940,890.00	345,940,890.00	24.47	24.47	
Total	847,685,990.00	847,685,990.00	59.97	59.97	

2. Subsidiary

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

3. Other related parties

Name of other related party	Relationship with the Company
Eastern Shanghai Heavy Machinery Co., Ltd.	Other enterprise controlled by the actual controller
Hualian Ship Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Other enterprise controlled by the actual controller
China Shipbuilding NDRI Engineering Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Nanjing Luzhou Machine Co., Ltd.	Other enterprise controlled by the actual controller
Anqing CSSC Diesel Engine Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Systems Engineering Research Institute	Other enterprise controlled by the actual controller
Guangzhou Shipyard Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Marine Power Co. Ltd.	Other enterprise controlled by the actual controller
CSSC Southern China Ship Machinery Co., Ltd.	Other enterprise controlled by the actual controller
China Shipbuilding Trading Guangzhou Co., Ltd.	Other enterprise controlled by the actual controller
Haiying Enterprises Group Co., Ltd.	Other enterprise controlled by the actual controller
Guangzhou Shipyard HR Service Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Merchant Vessel Design and Research Institute	Other enterprise controlled by the actual controller
China Shipbuilding Trading Co., Ltd.	Other enterprise controlled by the actual controller

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Name of other related party	Relationship with the Company
Marine Design and Research Institute of China	Other enterprise controlled by the actual controller
Shanghai Haixun Electrical Engineering Co., Ltd.	Other enterprise controlled by the actual controller
China Ship Power Station Equipment Co., Ltd.	Other enterprise controlled by the actual controller
Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	Other enterprise controlled by the actual controller
Marinequip China Company Limited	Other enterprise controlled by the actual controller
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Other enterprise controlled by the actual controller
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Other enterprise controlled by the actual controller
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Other enterprise controlled by the actual controller
CSSC (Hong Kong) Shipping Company Limited	Other enterprise controlled by the actual controller
Guangzhou Wenchong Dockyard Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Marine Technology Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Science & Technology Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Other enterprise controlled by the actual controller
Beijing Shipbuilding Information Technology Co., Ltd.	Other enterprise controlled by the actual controller
Jiangxi Chaoyang Machinery Factory	Other enterprise controlled by the actual controller
Shanghai Shenbo Information System Engineering Co., Ltd.	Other enterprise controlled by the actual controller
Workers' Hospital of Guangzhou Huangpu Shipyard	Other enterprise controlled by the actual controller
Technician Training School of Guangzhou Huangpu Shipyard	Other enterprise controlled by the actual controller
Kindergarten of Guangzhou Huangpu Shipyard	Other enterprise controlled by the actual controller
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Other enterprise controlled by the actual controller
Guangzhou Shipyard Hospital	Other enterprise controlled by the actual controller
Nanjing CSSC Luzhou Environmental Protection Co., Ltd.	Other enterprise controlled by the actual controller
China Shipbuilding International Trading Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Other enterprise controlled by the actual controller
Jiujiang Zhongchuan Instrument Co., Ltd.	Other enterprise controlled by the actual controller
China Shipbuilding Technology Institute	Other enterprise controlled by the actual controller
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Other enterprise controlled by the actual controller
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Hudong Shipyard Valve Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Other enterprise controlled by the actual controller
Jiujiang Shipbuilding Fire Automation Co., Ltd.	Other enterprise controlled by the actual controller
Anqing Marine Electric Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Chengxi Shipbuilding Co., Ltd.	Other enterprise controlled by the actual controller
Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing Luzhou Machine Co., Ltd.	Other enterprise controlled by the actual controller
China Shipbuilding Industry Complete Logistics Co., Ltd.	Other enterprise controlled by the actual controller
Jiangxi CSSC Navigation Instrument Co., Ltd.	Other enterprise controlled by the actual controller
Beijing Leiyin Electronic Technology Development Co., Ltd.	Other enterprise controlled by the actual controller
Guangzhou Hairong Industrial Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Heavy Equipment Co., Ltd.	Other enterprise controlled by the actual controller
Beijing Ship Industry Management College	Other enterprise controlled by the actual controller
CSSC Materials Engineering Co., Ltd.	Other enterprise controlled by the actual controller
Eastern Shanghai Heavy Machinery Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Accessories Branch	Other enterprise controlled by the actual controller
CSSC Chengxi Shipbuilding Co., Ltd. Yangzhou Branch	Other enterprise controlled by the actual controller
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Guijiang Shipbuilding Co., Ltd.	Other enterprise controlled by the actual controller
Technician Training School of Guangzhou Shipyard	Other enterprise controlled by the actual controller
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Other enterprise controlled by the actual controller
CSSC Xijiang Shipbuilding Co., Ltd.	Other enterprise controlled by the actual controller

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

Name of other related party	Relationship with the Company
China Shipbuilding Trading Shanghai Co., Ltd.	Other enterprise controlled by the actual controller
Guangzhou Shipyard Shipping Co., Ltd.	Other enterprise controlled by the actual controller
Jiulong Steel Logistics Co., Ltd.	Other enterprise controlled by the actual controller
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Other enterprise controlled by the actual controller
Guangzhou Huamao Center	Other enterprise controlled by the actual controller
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Other enterprise controlled by the actual controller
Guangzhou Ship Industrial Company	Other enterprise controlled by the actual controller
Guangzhou Shipbuilding Trading Guangzhou Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Shipbuilding Technology Research Institute	Other enterprise controlled by the actual controller
Kindergarten of Guangzhou Huangpu Shipyard	Other enterprise controlled by the actual controller
Wah-Chang International Marine Industry Company Limited	Other enterprise controlled by the actual controller
CSSC Finance Company Limited	Other enterprise controlled by the actual controller
Guangzhou Nanfang Special Coating Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Research Institute of Shipbuilding and Marine Engineering	Other enterprise controlled by the actual controller
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Hua Hai Ships Equipment Co., Ltd.	Other enterprise controlled by the actual controller
Haifeng Navigation Technology Co., Ltd.	Other enterprise controlled by the actual controller
Jiuliang Precision Testing Technology Research Institute	Other enterprise controlled by the actual controller
CSSC Electronic Technology Co., Ltd.	Other enterprise controlled by the actual controller
China Ship News Agency	Other enterprise controlled by the actual controller
Guangzhou Hairong Construction Supervision Co., Ltd.	Other enterprise controlled by the actual controller
Jiuliang CSSC Chang'an Fire Equipment Manufacture Co., Ltd.	Other enterprise controlled by the actual controller
Shanghai CSSC Fire Protection Engineering Technology Co., Ltd.	Other enterprise controlled by the actual controller
CSSC Financial Leasing (Shanghai) Co., Ltd.	Other enterprise controlled by the actual controller
TTS Hua Hai Ships Equipment Co., Ltd.	Enterprise under control of a joint venture of the actual controller
TTS Hua Hai International Trading Co., Ltd.	Enterprise under control of a joint venture of the actual controller
Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	Enterprise under control of a joint venture of the actual controller

(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 connected transactions	Current period	Corresponding period of last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Purchase of materials	1,519,460,575.67	1,269,889,333.27
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	116,615,539.29	253,506,009.06
Hualian Ship Co., Ltd.	Marine accessories	102,498,719.60	76,120,773.30
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of materials	83,160,273.50	121,378,841.62
China Shipbuilding NDRI Engineering Co., Ltd.	Technical labor services	66,792,669.62	35,827,734.15
CSSC Systems Engineering Research Institute	Purchase of materials	62,387,435.90	222,273,000.00
CSSC Nanjing Luzhou Machine Co., Ltd.	Marine accessories	34,285,438.46	46,878,085.47
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	33,347,794.89	47,477,846.15
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labor services	21,295,196.10	29,871,978.14
CSSC Marine Power Co. Ltd.	Marine accessories	20,728,632.48	119,322,489.75
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	13,577,948.72	17,813,547.01
China Shipbuilding Trading Guangzhou Co., Ltd.	Marine accessories	10,806,139.69	18,924,555.93

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From 1 January 2017 to 30 June 2017

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

Related party	Content of connected transactions	Current period	Corresponding period of last year
Haiying Enterprises Group Co., Ltd.	Purchase of materials	10,621,282.05	20,910,000.00
Guangzhou Shipyard HR Service Co., Ltd.	Services received	9,472,031.56	9,483,949.05
Shanghai Merchant Vessel Design and Research Institute	Labor supply and technical services	9,114,427.18	3,565,750.00
China Shipbuilding Trading Co., Ltd.	Purchase of materials	8,994,527.20	21,129,696.23
Marine Design and Research Institute of China	Labor supply and technical services	8,047,928.27	3,972,051.28
CSSC Science & Technology Co., Ltd.	Equipment and fixed assets	7,881,434.17	14,495,726.50
Shanghai Haixun Electrical Engineering Co., Ltd.	Purchase of materials	6,695,500.00	15,106,499.15
China Ship Power Station Equipment Co., Ltd.	Marine accessories	5,311,538.46	2,548,162.39
Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	Marine accessories	5,117,934.02	7,237,865.71
Marinequip China Company Limited	Equipment	4,623,262.41	1,162,946.39
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Equipment	3,596,605.13	72,649.57
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Technical labor services	3,589,021.15	1,310,496.02
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Marine accessories	3,514,700.85	3,897,508.55
CSSC (Hong Kong) Shipping Company Limited	Purchase of materials	3,113,712.26	69,161,533.13
Guangzhou Wenchong Dockyard Co., Ltd.	Marine accessories	2,544,003.32	3,838,405.58
CSSC Marine Technology Co., Ltd.	Marine accessories	2,512,000.00	3,491,338.46
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of materials	2,234,666.67	1,614,126.71
TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	2,213,485.81	12,747,823.08
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Fixed assets	2,107,983.64	-
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Marine accessories	1,651,538.46	420,512.82
Beijing Shipbuilding Information Technology Co., Ltd.	Labor supply and technical services	1,221,458.98	169,811.32
Jiangxi Chaoyang Machinery Factory	Marine accessories	1,166,738.90	2,479,644.84
Shanghai Shenbo Information System Engineering Co., Ltd.	Equipment fees for investment projects and research and development platform projects	1,142,769.29	-
Workers' Hospital of Guangzhou Huangpu Shipyard	Labor supply and technical services	1,100,000.00	408,485.80
Technician Training School of Guangzhou Huangpu Shipyard	Training fee paid	1,051,509.46	-
Kindergarten of Guangzhou Huangpu Shipyard	Kindergarten admission fee paid for children of employees	1,000,000.00	-
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Labour services, goods and marine accessories	846,883.25	7,028,090.82
Guangzhou Shipyard Hospital	Labour services	838,889.86	656,615.75
Nanjing CSSC Luzhou Environmental Protection Co., Ltd.	Marine accessories	835,558.98	5,229,210.24
China Shipbuilding International Trading Co., Ltd.	Purchase of materials	597,560.89	115,128.21
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Labour services and goods	542,205.13	-
Jiujiang Zhongchuan Instrument Co., Ltd.	Materials purchased	427,500.00	-
China Shipbuilding Technology Institute	Labor supply and technical services	358,490.57	18,329.39
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Process design	318,301.89	-
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	310,854.70	14,242,735.04
Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of materials	276,452.99	2,319,866.67
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Marine accessories	260,769.24	63,454.70
Jiujiang Shipbuilding Fire Automation Co., Ltd.	Labor supply and technical services	228,994.03	147,793.16
Anqing Marine Electric Co., Ltd.	Marine accessories	72,649.57	71,452.99
CSSC Chengxi Shipbuilding Co., Ltd.	Labor supply and technical services	-	17,574,139.15
Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing Luzhou Machine Co., Ltd.	Marine accessories	-	15,047,145.30

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From 1 January 2017 to 30 June 2017

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

Related party	Content of connected transactions	Current period	Corresponding period of last year
China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of materials	-	6,454,039.02
TTS Hua Hai International Trading Co., Ltd.	Marine accessories	-	1,313,911.79
Jiangxi CSSC Navigation Instrument Co., Ltd.	Marine accessories	-	666,666.67
Beijing Leiyin Electronic Technology Development Co., Ltd.	Labor supply and technical services	-	595,600.00
Guangzhou Hairong Industrial Co., Ltd.	Labour services	-	564,000.00
CSSC Heavy Equipment Co., Ltd.	Labor supply and technical services	-	291,850.97
Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	-	263,589.85
Beijing Ship Industry Management College	Labour services	-	112,000.00
CSSC Materials Engineering Co., Ltd.	Purchase of materials	-	68,376.06
Eastern Shanghai Heavy Machinery Co., Ltd. Shanghai Accessories Branch	Purchase of materials	-	17,094.02
CSSC Chengxi Shipbuilding Co., Ltd. Yangzhou Branch	Purchase of materials	-	294.40
Total		2,200,511,534.26	2,531,370,560.63

Note: Pricing principles:

- (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 labour, management fee for residence, etc., are based on the expense incurred in 2008 and adjusted by the annual "price index" (Guangzhou Municipal Statistics Bureau's announcement of the statistic of the general price index of the living expense of Guangzhou Municipal of the previous year) and further adjusted by the number of employees of the Group, number of household and actual staff welfare, but subject to maximum of adjustment on the annual "price index".

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

(2) *Sale of goods/renderings of services*

Related party	Content of connected transactions	Current period	Corresponding period of last year
CSSC (Hong Kong) Shipping Company Limited	Shipbuilding	443,539,173.20	764,327,459.93
China Shipbuilding Trading Co., Ltd.	Shipbuilding	105,356,453.42	-
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	37,819,527.75	50,755,745.26
Guangzhou Wenchong Dockyard Co., Ltd.	Technical labor services	19,191,555.69	30,385,299.36
CSSC Chengxi Shipbuilding Co., Ltd. Yangzhou Branch	Electricity resale	6,234,330.13	9,256,770.47
CSSC Science & Technology Co., Ltd.	Sales and repair	3,357,450.41	34,905.66
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Technical labor services	1,682,905.99	237,052.08
Guangzhou Shipyard Co., Ltd.	Technical labor services	1,120,237.29	224,600.35
China Shipbuilding Technology Institute	Technical labor services	1,075,471.70	-
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Technical labor services	847,241.42	543,329.62
Shanghai Merchant Vessel Design and Research Institute	Sales and technical labor services	700,000.00	-
CSSC Heavy Equipment Co., Ltd.	Technical labor services	438,820.00	84,558.21
Beijing Shipbuilding Information Technology Co., Ltd.	Materials	150,943.39	1,561,054.65
Technician Training School of Guangzhou Huangpu Shipyard	Kinetic energy	116,435.05	-
Workers' Hospital of Guangzhou Huangpu Shipyard	Sales of materials, etc.	107,321.66	83,843.86
CSSC Guijiang Shipbuilding Co., Ltd.	Technical labor services	85,247.23	873,807.93
Guangzhou Shipyard HR Service Co., Ltd.	Technical labor services	81,154.44	-
China Shipbuilding NDRI Engineering Co., Ltd.	Technical labor services	79,879.41	15,583,779.91
Marine Design and Research Institute of China	Service fee	44,339.62	-
Technician Training School of Guangzhou Shipyard	Sales of materials, etc.	39,241.20	2,480.00
Kindergarten of Guangzhou Huangpu Shipyard	Sales of materials, etc.	37,514.19	19,381.06
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Supply of utilities	33,119.50	53,169.81
CSSC Southern China Ship Machinery Co., Ltd.	Supply of utilities	24,056.61	71,696.79
China Shipbuilding Trading Guangzhou Co., Ltd.	Materials	19,235.64	166,653.22
Guangzhou Shipyard Hospital	Technical labor services	8,017.42	-
CSSC Xijiang Shipbuilding Co., Ltd.	Technical labor services	1,018.87	6,056.60
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Kinetic energy	989.37	-
China Shipbuilding Trading Shanghai Co., Ltd.	Shipbuilding	-	71,906,535.88
Guangzhou Shipyard Shipping Co., Ltd.	Technical labor services	-	164,512.82
Jiulong Steel Logistics Co., Ltd.	Sales of materials, etc.	-	76,923.08
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Ship maintenance	-	73,162.39
Guangzhou Huamao Center	Sales of materials, etc.	-	13,555.40
Shanghai Haixun Electrical Engineering Co., Ltd.	Sales of materials, etc.	-	7,268.38
Total		622,191,680.60	946,513,602.72

Note: Pricing principles:

- 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 2017 to 30 June 2017

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

2. Receipt of financial services

(1) Deposits

Name of related party	Balance of deposits		Interest income on deposits	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	2,758,880,292.17	5,759,295,192.97	30,307,184.02	44,254,469.92

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 CSSC 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 income on loans	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	3,401,148,000.00	3,842,400,000.00	86,235,986.94	106,837,966.11

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 period (RMB)	Corresponding period of last year (RMB)	Current period (RMB)	Corresponding period of last year (RMB)
CSSC Finance Company Limited	34,338,000.00		91,781.68	-759,378.02		

(4) Entrusted wealth management products

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	1,001,000,000.00	1,301,000,000.00	26,507,232.89	29,277,064.59

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 2017 to 30 June 2017

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

3. Related party lease

(1) As lessor

Name of lessor	Name of lessee	Nature of assets leased	Corresponding period	
			Current period	of last year
Guangzhou Shipyard International Company Limited	Guangzhou Wenchong Dockyard Co., Ltd.	Land, buildings and equipment	6,780,712.36	6,689,561.22
GSI Yangzhou Co., Ltd.	CSSC Chengxi Shipbuilding Co., Ltd.	Land, buildings and equipment	28,940,513.98	31,282,084.28

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. GSI recognised rental income from Wenchong Dockyard during the period from 1 January 2017 to 30 June 2017 of RMB6,780,712.36 in total.

Note 2: In January 2017, 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 for 2017 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 January 2017 to 31 December 2017 and the rent is RMB65,546,700 (inclusive of tax), including: rent for buildings of RMB6,780,300 (inclusive of tax); rent for land and structures of RMB26,947,100 (inclusive of tax); and rent for equipment assets and software of RMB31,819,300 (inclusive of tax).

(2) As lessee

Name of lessor	Name of lessee	Nature of assets leased	Corresponding period	
			Current period	of last year
Guangzhou Ship Industrial Company	CSSC Huangpu Wenchong Shipbuilding Company Limited	Land, buildings and structures	3,385,205.70	3,389,693.29
Guangzhou Ship Industrial Company	Guangzhou Wenchong Shipyard Co., Ltd.	Land, buildings and structures	9,982,728.12	13,989,153.58
Guangzhou Shipyard Industrial Co., Ltd.	Guangzhou Shipyard International Company Limited	Land, buildings and structures	-	-
Guangzhou Shipyard Shipping Co., Ltd.	Guangzhou Shipyard International Company Limited	Land, buildings and structures	67,200,000.00	67,200,000.00
Guangzhou Shipyard Co., Ltd.	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Buildings, structures and machinery equipment	687,782.71	
Guangzhou Shipyard Co., Ltd.	Guangdong GSI Elevator Co., Ltd.	Land, buildings and structures	67,847.60	-

Note 1: In 2014, Guangzhou Ship Industrial Company ("Guangzhou Company"), CSSC Huangpu Wenchong Shipbuilding Company Limited ("Huangpu Wenchong") and Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard") entered into a lease agreement in relation to land use right and buildings erected on land, pursuant to which it leased certain land use right and buildings erected on land at Changzhou Factory and Wenchong Factory owned by it to Huangpu Wenchong and Wenchong Shipyard for operation. Huangpu Wenchong will pay an annual rent of approximately RMB7.6 million and Wenchong Shipyard will pay an annual rent of approximately RMB21.30 million. The term of lease of the land use right and buildings erected on land shall commence on 1 May 2014 and end on the date on which Huangpu Wenchong and Wenchong Shipyard finish relocation to Changzhou Factory and Wenchong Factory and commence formal production in the new factory area.

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From 1 January 2017 to 30 June 2017

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

- 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 thereon (the "Leased Area") to the Company. The Leased Area is leased to the Company for a term of 39 months commencing on 1 October 2014 at monthly rate of RMBnil. Pursuant to the Equity Transfer Contract in relation to 100% Equity interest in Guangzhou Shipyard Industrial Co., Ltd. entered into between the Company and Shanghai Lingxiang, the lease agreement will continue to be performed.
- Note 3: On 9 November 2015, GSI and Guangzhou Shipyard Shipping, both subsidiaries of the Company, entered into a lease agreement in relation to a parcel of land located at 40 South Fangcun Main Road, Liwan District, Guangzhou City with a total site area of 393,793 sq.m. currently for industrial use and relevant ancillary facilities (the "Leased Site") for a term of 25 months commencing on 1 December 2015. Based on monthly rent of RMB11.20 million, the total rent amounted to RMB280 million.
- Note 4: On 26 December 2016, Guangzhou Guangli Shipbuilding Human Resources Service Company Limited, a subsidiary of the Company, and Guangzhou Shipyard Co., Ltd. entered into a supplemental agreement to the property and equipment lease agreement to extend the term of the property and equipment lease agreement to 30 June 2017. The total rent for land, plant and equipment for the period from 1 January 2017 to 30 June 2017 was RMB750,000 (inclusive of tax), including land rent of RMB187,059.00, plant rent of RMB291,617.50 and equipment rent of RMB271,323.50.
- Note 5: On 21 March 2017, Guangdong GSI Elevator Co., Ltd., a subsidiary of the Company, entered into a Guangzhou property lease contract with Guangzhou Shipyard Co., Ltd., pursuant to which Guangzhou Shipyard Co., Ltd. agreed to lease the property located at 5/F, 138 Gexin Road, Haizhu District, Guangzhou (real estate certificate No. C5985991) with gross floor (or usage) area of 815.2 sq.m. to Guangdong GSI Elevator Co., Ltd. for use as office building for a term of 36 months. The monthly rent comprised rent and service fee. During the period from 1 May 2017 to 30 April 2018, the monthly rent is RMB12,269.00 and the service fee is RMB12,269.00, totalling RMB24,538.00. During the period from 1 May 2018 to 30 April 2019, the monthly rent is RMB12,800 and the service fee is RMB12,880, totalling RMB25,760. During the period from 1 May 2019 to 30 April 2020, the monthly rent is RMB13,532.5 and the service fee is RMB13,532.5, totalling RMB27,065.

4. Related Guarantee

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

As at 30 June 2017, 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 30 June 2017, 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	2015-11-20	2022-6-15	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.	152,000,000.00	2017-1-19	2019-2-21	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	200,000,000.00	2017-6-26	2019-6-21	No
Guangzhou Wenchong Shipyard Co., Ltd.	CSSC Huangpu Wenchong Shipbuilding Company Limited	500,000,000.00	2012-7-18	2019-7-15	No

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

5. Capital lending between related parties (entrusted loan)

Name of related party	Borrowing/ Lending	Amount	Date of commencement	Date of expiry	Remarks
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012-6-20	2022-6-15	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012-7-18	2019-7-15	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	600,000,000.00	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	490,000,000.00	2017-2-23	2020-2-23	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	200,000,000.00	2017-4-26	2018-4-26	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012-7-18	2019-7-15	Huangpu Shipyard

6. Investments in related parties

Huangpu Wenchong, a subsidiary of the Company, transferred its equity interest in Guangzhou Xingji Marine Engineering Design & Research Institute to Shanghai Merchant Ship Design & Research Institute. Huangpu Wenchong previously contributed capital of RMB3,750,000 (representing 75% registered capital) and disposed of its equity interest amounting to RMB1,875,000 (representing 37.5% registered capital) at a consideration of RMB1,912,500. Huangpu Wenchong received the consideration of RMB1,912,500 on 10 January 2017.

7. Other related party transaction

Type of related party transactions	Name of related party	Current period	Corresponding period of last year
Sales agency fees	China Shipbuilding Trading Co., Ltd.	7,142,516.07	26,768,858.01
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	9,183,642.36	7,074,720.73
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited	433,724.90	1,960,322.70
Sales agency fees	China Shipbuilding Trading Shanghai Co., Ltd.	95,328.91	
Procurement agency fees	Hualian Ship Co., Ltd.	1,906,209.62	1,334,619.56
Procurement agency fees	China Shipbuilding Trading Co., Ltd.	121,114.36	316,009.07
Procurement agency fees	CSSC (Hong Kong) Shipping Company Limited	46,015.45	
Handling charges for factoring	CSSC (Hong Kong) Shipping Company Limited	32,361.08	1,126,962.00

Note 1: Pricing principle: the sales agency fees shall not exceed the 1% of pricing basis of contract price; the procurement agency fees shall range from 1% to 2% of the contract price;

Note 2: In May 2014, the Company and CSTC (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 US186.00 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 US186.00 million. As at 30 June 2017, the matter was fully settled.

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 sub-section in the Significant Events section as required.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

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

1. Purchase of goods and services received

Related party	Content of connected transactions	Corresponding period	
		Current period	of last year
Zhongshan GSI Marine Engineering Company Limited	Services received	15,968,503.42	
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Services received	3,918,841.48	4,168,900.95
Guangzhou Shipyard International Company Limited	Purchase of goods and services received	869,631.83	32,474.30
Guangzhou United Steel Structures Limited	Services received	314,403.59	
Guangzhou Hongfan Technology Co., Ltd.	Purchase of goods and services received	56,603.77	73,565.31
Guangzhou Hongfan Hotel Co., Ltd.	Purchase of goods and services received	54,667.69	
Guangdong GSI Elevator Co., Ltd.	Purchase of goods and services received		840,683.77
Total		21,182,651.78	5,115,624.33

Note: Pricing policy for purchasing goods or services from subsidiaries: according to market price if there is market price; if not, adding 8%-10% of the cost or using internal assessment settlement price pricing

2. Sale of goods and provision of services

Related party	Content of connected transactions	Corresponding period	
		Current period	of last year
Guangzhou Shipyard International Company Limited	Sale of goods	21,661,913.59	37,776,330.85
Zhongshan GSI Marine Engineering Company Limited	Sale of goods and leasing of assets	7,371,277.46	1,811,615.38
Guangzhou United Steel Structures Limited	Sale of goods and leasing of assets		36,324.78
Guangdong GSI Elevator Co., Ltd.	Sale of goods		1,112.82
GSI Yangzhou Co., Ltd.	Provision of services		2,735,849.06
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Sale of goods		6,960.68
Total		29,033,191.05	42,368,193.57

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

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From 1 January 2017 to 30 June 2017

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

(iv) Balances with related parties

1. Consolidated

(1) Receivables

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Notes receivable					
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	10,876,919.99		12,876,919.99	
	Sub-total of notes receivable	10,876,919.99	-	12,876,919.99	-
Accounts receivable					
	CSSC (Hong Kong) Shipping Company Limited	104,362,378.68	521,811.89	-	-
	Guangzhou Wenchong Dockyard Co., Ltd.	25,688,627.84	128,443.14	12,973,707.51	64,868.54
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	12,118,874.25	60,594.37	22,084,357.92	110,421.79
	CSSC Science & Technology Co., Ltd.	9,363,781.63	46,818.91	-	-
	China Shipbuilding NDRI Engineering Co., Ltd.	5,224,085.00	26,120.43	5,224,085.00	26,120.43
	Beijing Shipbuilding Information Technology Co., Ltd.	5,104,000.00	25,520.00	4,979,300.00	24,896.50
	Guangzhou Shipyard Co., Ltd.	1,593,634.27	7,968.17	2,708,421.46	13,542.11
	China Shipbuilding Trading Guangzhou Co., Ltd.	686,406.70	3,432.03	1,082,812.22	5,414.06
	China Shipbuilding Technology Institute	514,000.00	2,570.00	514,000.00	2,570.00
	CSSC Heavy Equipment Co., Ltd.	492,855.94	2,464.28	57,905.50	289.53
	Marine Design and Research Institute of China	485,500.00	2,427.50	9,400.00	47.00
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	352,903.93	1,764.52	399,026.20	1,995.13
	Technician Training School of Guangzhou Huangpu Shipyard	194,900.00	974.50	194,900.00	974.50
	Technician Training School of Guangzhou Shipyard	93,254.84	466.27	67,869.50	339.35
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	91,500.00	457.50	-	-
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	84,754.00	422.87	84,574.00	422.87
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	80,937.00	404.69	57,328.00	286.64
	CSSC Guijiang Shipbuilding Co., Ltd.	77,315.50	386.58	75,846.50	379.23
	CSSC Systems Engineering Research Institute	56,400.00	282.00	285,000.00	1,425.00
	Guangzhou Ship Industrial Company	34,957.00	174.79	36,974.00	184.87
	CSSC Southern China Ship Machinery Co., Ltd.	24,800.00	124.00	83,460.00	417.30
	Kindergarten of Guangzhou Huangpu Shipyard	14,206.60	71.03	-	-
	CSSC Xijiang Shipbuilding Co., Ltd.	5,400.00	27.00	5,400.00	27.00
	Guangzhou Shipbuilding Trading Guangzhou Co., Ltd.	4,344.00	21.72	-	-
	Workers' Hospital of Guangzhou Huangpu Shipyard	3,000.00	15.00	50.00	0.25
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	1,189.00	5.95	20,693.00	103.47
	CSSC Science & Technology Co., Ltd.	-	-	81,200.00	406.00
	CSSC Nanjing Luzhou Machine Co., Ltd.	-	-	30,000.00	150.00
	Shanghai Shipbuilding Technology Research Institute	-	-	3,000,000.00	15,000.00
	Kindergarten of Guangzhou Huangpu Shipyard	-	-	17,851.80	89.26
	Sub-total of accounts receivable	166,754,006.18	833,769.14	54,074,162.61	270,370.83

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

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments					
	China Shipbuilding Trading Shanghai Co., Ltd.	246,966,242.96		243,644,805.55	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	135,538,482.10		372,249,931.14	
	CSSC Marine Power Co. Ltd.	96,779,999.98		43,618,499.98	
	Eastern Shanghai Heavy Machinery Co., Ltd.	84,554,461.53		87,097,085.47	
	China Shipbuilding Trading Co., Ltd.	33,093,286.43		29,259,603.38	
	CSSC Nanjing Luzhou Machine Co., Ltd.	33,067,000.00		40,624,000.00	
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	17,740,000.00		65,980,000.00	
	Anqing CSSC Diesel Engine Co., Ltd.	4,608,000.00		18,916,666.67	
	Wah-Chang International Marine Industry Company Limited	3,198,565.37		3,198,565.37	
	Marinequip China Company Limited	2,960,644.71			
	CSSC Southern China Ship Machinery Co., Ltd.	772,500.00		772,500.00	
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	750,000.00		-	
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	335,000.00		335,000.00	
	Jiangxi CSSC Navigation Instrument Co., Ltd.	15,860.00		15,860.00	
	TTS Hua Hai Ships Equipment Co., Ltd.	-		10,480,000.00	
	Haiying Enterprises Group Co., Ltd.	-		850,000.00	
	Hualian Ship Co., Ltd.	-		455,502.30	
	CSSC (Hong Kong) Shipping Company Limited	-		405,019.15	
	Sub-total of prepayments	660,380,043.08	-	917,903,039.01	-
Other receivables					
	Guangzhou Wenchong Dockyard Co., Ltd.	496,553.75	2,482.77	389,944.40	1,949.72
	CSSC (Hong Kong) Shipping Company Limited	252,681.60	1,263.41	625,684.13	3,128.42
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	188,746.75	943.73	188,746.75	943.73
	Hualian Ship Co., Ltd.	133,138.66	665.69	704.00	3.52
	Guangzhou Ship Industrial Company	118,992.00	594.96	92,400.00	462.00
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	85,191.60	425.96	-	-
	China Shipbuilding Industry Complete Logistics Co., Ltd.	74,739.60	373.70	-	-
	CSSC Finance Company Limited	67,107.60	335.54	-	-
	Guangzhou Shipyard Co., Ltd.	54,739.00	273.70	18,642.62	93.21
	China Shipbuilding Trading Co., Ltd.	50,972.41	254.86	50,972.41	254.86
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	48,522.00	242.61	245,000.00	1,225.00
	China State Shipbuilding Corporation	36,300.78	181.50	207,411.12	1,037.06
	Beijing Ship Industry Management College	35,200.00	176.00	9,600.00	48.00
	Guangzhou Xingji Maritime Engineering Design Co., Ltd.	21,680.89	108.40	-	-
	Guangzhou Huamao Center	21,495.20	107.48	22,558.38	112.79
	Beijing Shipbuilding Information Technology Co., Ltd.	14,000.00	70.00	-	-
	Guangzhou Shipyard Hospital	9,000.00	45.00	9,000.00	45.00
	Guangzhou Nanfang Special Coating Co., Ltd.	491.36	2.46	491.36	2.46
	Marine Design and Research Institute of China	-	-	1,022.47	5.11
	Technician Training School of Guangzhou Huangpu Shipyard	-	-	664.95	3.32
	Sub-total of other receivables	1,709,553.20	8,547.77	1,862,842.59	9,314.20
	Total	839,720,522.45	842,316.91	986,716,964.20	279,685.03

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

(2) *Payables*

Name of item	Related party	Ending balance	Beginning balance
Notes payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	325,650,858.51	583,111,544.51
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	75,790,000.00	41,120,000.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	29,340,000.00	307,315,000.00
	CSSC Nanjing Luzhou Machine Co., Ltd.	17,117,810.00	25,907,980.00
	CSSC Marine Power Co. Ltd.	12,818,000.00	46,788,500.00
	CSSC Southern China Ship Machinery Co., Ltd.	9,578,000.00	-
	Anqing CSSC Diesel Engine Co., Ltd.	8,068,000.00	31,323,000.00
	Marine Design and Research Institute of China	3,660,000.00	3,958,000.00
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	1,205,050.00	-
	CSSC Systems Engineering Research Institute	-	257,097,100.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	-	4,240,000.00
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	-	4,236,000.00
	Shanghai Research Institute of Shipbuilding and Marine Engineering	-	3,660,000.00
	Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	-	3,002,000.00
	Nanjing CSSC Luzhou Environmental Protection Co., Ltd.	-	1,231,800.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	-	638,963.00
	Sub-total of notes payable	483,227,718.51	1,313,629,887.51
Accounts payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	540,233,002.67	538,648,153.42
	CSSC Systems Engineering Research Institute	503,484,420.17	341,167,500.00
	China Shipbuilding NDRI Engineering Co., Ltd.	180,432,689.67	84,818,252.64
	Guangzhou Ship Industrial Company	58,325,543.52	44,546,231.83
	Anqing CSSC Diesel Engine Co., Ltd.	26,608,442.01	24,216,000.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	25,357,012.00	24,789,500.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	20,318,555.40	43,026,555.39
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,472,294.28	18,472,294.28
	CSSC Marine Power Co. Ltd.	17,141,470.00	29,780,970.00
	China Shipbuilding Trading Guangzhou Co., Ltd.	16,348,513.96	16,725,635.60
	CSSC Southern China Ship Machinery Co., Ltd.	15,661,896.60	13,147,195.40
	Guangzhou Shipyard Co., Ltd.	13,380,339.49	31,612,369.71
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	11,617,520.00	-
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	10,555,569.36	1,532,607.69
	CSSC Nanjing Luzhou Machine Co., Ltd.	8,535,121.88	4,366,101.71
	CSSC Science & Technology Co., Ltd.	8,480,000.00	-
	Guangzhou Wenchong Dockyard Co., Ltd.	6,320,744.04	3,933,072.02
	Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	5,063,179.33	5,066,730.27
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	3,574,128.20	1,693,486.75
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	3,303,452.50	5,232,401.35
	Beijing Shipbuilding Information Technology Co., Ltd.	3,107,061.50	2,903,654.50
	China Shipbuilding International Trading Co., Ltd.	2,884,175.00	3,771,378.81
	CSSC Marine Technology Co., Ltd.	2,366,899.99	2,780,500.00
	Marine Design and Research Institute of China	2,187,000.00	9,444,009.42
	China Shipbuilding Technology Institute	2,081,600.00	1,040,800.00
	China Shipbuilding Industry Complete Logistics Co., Ltd.	2,080,752.51	1,925,633.02
	China Ship Power Station Equipment Co., Ltd.	1,840,750.00	2,249,500.00
	Shanghai Hudong Shipyard Valve Co., Ltd.	1,580,711.90	2,554,831.38
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	1,470,000.00	3,658,000.00
	Guangzhou Shipyard HR Service Co., Ltd.	1,190,732.01	1,279,290.78
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	1,090,224.54	2,505,812.92

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From 1 January 2017 to 30 June 2017

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

Name of item	Related party	Ending balance	Beginning balance
	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	1,059,000.00	1,218,149.57
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	1,050,000.00	1,050,000.00
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	909,361.10	-
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	817,412.08	932,884.80
	Nanjing CSSC Luzhou Environmental Protection Co., Ltd.	776,143.65	989,739.11
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	674,207.65	738,287.65
	CSSC Hua Hai Ships Equipment Co., Ltd.	606,500.00	4,596,500.00
	Beijing Leiyin Electronic Technology Development Co., Ltd.	595,600.00	-
	Jiangxi Chaoyang Machinery Factory	576,419.74	1,282,013.55
	Shanghai Merchant Vessel Design and Research Institute	479,000.00	479,000.00
	Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	435,000.00	-
	Haiying Enterprises Group Co., Ltd.	385,000.00	-
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	384,487.10	298,753.51
	Haifeng Navigation Technology Co., Ltd.	363,000.00	363,000.00
	TTS Hua Hai Ships Equipment Co., Ltd.	231,979.00	-
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	188,034.19	-
	Jiujiang Precision Testing Technology Research Institute	165,227.40	165,227.40
	CSSC Electronic Technology Co., Ltd.	160,000.00	160,000.00
	China Shipbuilding Trading Co., Ltd.	100,000.00	104,626.37
	China Ship News Agency	100,000.00	-
	Anqing Marine Electric Co., Ltd.	84,850.01	117,854.70
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	81,581.95	81,581.95
	Jiangxi CSSC Navigation Instrument Co., Ltd.	78,000.00	234,000.00
	CSSC Materials Engineering Co., Ltd.	40,000.00	80,000.00
	CSSC Finance Company Limited	33,000.00	33,000.00
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	Technician Training School of Guangzhou Huangpu Shipyard	9,800.00	25,000.00
	China State Shipbuilding Corporation	9,141.20	9,141.20
	Shanghai Shipbuilding Technology Research Institute	-	-
	Hualian Ship Co., Ltd.	-	23,458,761.90
	CSSC (Hong Kong) Shipping Company Limited	-	13,736,881.79
	Marinequip China Company Limited	-	731,328.44
	Shanghai Starry ship Ocean Engineering Service Co., Ltd.	-	361,538.46
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	-	260,000.00
	Jiujiang CSSC Chang'an Fire Equipment Manufacture Co., Ltd.	-	252,800.00
	Shanghai CSSC Fire Protection Engineering Technology Co., Ltd.	-	205,932.00
	Sub-total of accounts payable	1,525,496,820.98	1,318,864,744.67
	Advances from customers		
	Guangzhou Wenchong Dockyard Co., Ltd.	60,988,961.26	68,243,689.42
	Shanghai Haixun Electrical Engineering Co., Ltd.	5,769,230.76	1,923,076.92
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	4,621,920.59	-
	CSSC Science & Technology Co., Ltd.	3,328,205.13	7,527,935.63
	Marine Design and Research Institute of China	3,200,000.00	3,200,000.00
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	1,682,905.99	-
	Wah-Chang International Marine Industry Company Limited	1,243,840.14	-
	China Shipbuilding NDRI Engineering Co., Ltd.	79,879.41	-
	Guangzhou Shipyard Co., Ltd.	55,000.00	10,820.00
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	10,000.00	10,000.00
	China Shipbuilding Trading Co., Ltd.	-	36,260,000.00
	China Shipbuilding Technology Institute	-	837,735.85
	CSSC Guijiang Shipbuilding Co., Ltd.	-	50,670.75
	Sub-total of advances from customers	80,979,943.28	118,063,928.57

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From 1 January 2017 to 30 June 2017

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Name of item	Related party	Ending balance	Beginning balance
Other payables			
	CSSC Financial Leasing (Shanghai) Co., Ltd.	592,202.69	592,202.69
	Hualian Ship Co., Ltd.	469,396.39	469,396.39
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	240,000.00	-
	Guangzhou Wenchong Dockyard Co., Ltd.	120,000.00	-
	China Shipbuilding NDRI Engineering Co., Ltd.	61,050.00	4,908,147.52
	Anqing CSSC Diesel Engine Co., Ltd.	25,078.38	-
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	20,000.00	-
	Guangzhou Shipyard Co., Ltd.	2,825.96	2,825.96
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	1,500.00	-
	CSSC Chengxi Shipbuilding Co., Ltd.	862.40	862.00
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	500.00	-
	Nanjing CSSC Luzhou Environmental Protection Co., Ltd.	100.00	-
	China State Shipbuilding Corporation	-	2,865,188.68
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	-	540,000.00
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	-	500.00
	Workers' Hospital of Guangzhou Huangpu Shipyard	-	400.00
	Sub-total of other payables	1,533,515.82	9,379,523.24
	Total	2,091,237,998.59	2,759,938,083.99

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

(1) Receivables

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Notes receivable					
	Zhongshan GSI Marine Engineering Company Limited	975,000.00			
	Sub-total of notes receivable	975,000.00			
Accounts receivable					
	Zhongshan GSI Marine Engineering Company Limited	7,277,176.77		6,872,113.93	
	Guangzhou Shipyard International Company Limited	15,114,587.47		17,296,186.41	
	Sub-total of accounts receivable	22,391,764.24		24,168,300.34	
Prepayments					
	Zhongshan GSI Marine Engineering Company Limited			14,759,260.52	
	Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	700,000.00		700,000.00	
	Sub-total of prepayments	700,000.00		15,459,260.52	

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From 1 January 2017 to 30 June 2017

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

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables					
	Guangzhou Shipyard International Company Limited	3,531,291.48		705,022.04	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	51,388.89		257,201.38	
	Sub-total of other receivables	3,582,680.37		962,223.42	
Long-term receivables due with one year					
	Guangzhou Shipyard International Company Limited	200,000,000.00		145,000,000.00	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	100,000,000.00		355,000,000.00	
	Sub-total of long-term receivables due with one year	300,000,000.00		500,000,000.00	
Long-term receivables					
	Guangzhou Shipyard International Company Limited	100,000,000.00		100,000,000.00	
	Sub-total of long-term receivables	100,000,000.00		100,000,000.00	
	Total	427,649,444.61		640,589,784.28	

(2) *Payables*

Name of item	Related party	Ending balance	Beginning balance
Accounts payable			
	Guangzhou United Steel Structures Limited	11,764,663.84	15,769,088.18
	Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	9,336,919.60	9,251,621.26
	Zhongshan GSI Marine Engineering Company Limited	1,934,431.48	1,480,000.00
	Guangdong GSI Elevator Co., Ltd.	983,600.00	983,600.00
	Guangzhou Shipyard International Company Limited	743,524.30	15,866,269.99
	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited		117,286.57
	Guangzhou Hongfan Technology Co., Ltd.		79,845.00
	Guangchuan Large-scale Machinery and Equipment Co., Ltd. Nanhai Branch		9,336,919.60
	Sub-total of accounts payable	24,763,139.22	52,884,630.60
Other payables			
	Guangzhou Shipyard International Company Limited	20,370,063.95	20,455,349.84
	Guangzhou Shipyard HR Service Co., Ltd.	28,193.29	46.00
	Sub-total of other payables	20,398,257.24	20,455,395.84
Advances from customers			
	Zhongshan GSI Marine Engineering Company Limited	850,000.00	
	Guangzhou Shipyard International Company Limited	746,000.00	
	Sub-total of advances from customers	1,596,000.00	
	Total	46,757,396.46	73,340,026.44

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(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 Director				
Han Guangde		271,451.58	14,917.50	286,369.08
Chen Zhongqian		276,494.76	30,271.50	306,766.26
Chen Liping		276,746.76	14,917.50	291,664.26
Xiang Huiming		260,858.76	30,271.50	291,130.26
Chen Ji		271,291.58	14,917.50	286,209.08
Supervisors				
Wu Guangjun	–			–
Fu Xiaosi	45,000.00			45,000.00
Zhu Zhengfu	45,000.00			45,000.00
Chen Shaolong		169,227.08	14,917.50	184,144.58
Ding Qianfang		153,945.76	14,917.50	168,863.26
Non-executive Director				
Yang Li	–			–
Wang Guozhong	–			–
Song Dejin	100,000.00			100,000.00
Zhu Mingyou	–			–
Wang Yichu	100,000.00			100,000.00
Min Weiguo	100,000.00			100,000.00
Total	390,000.00	1,680,016.28	135,130.50	2,205,146.78
Corresponding period of last year				
Directors				
Han Guangde		272,289.92	13,462.20	285,752.12
Chen Zhongqian		241,998.00	26,344.20	268,342.20
Xiang Huiming		235,176.00	26,344.20	261,520.20
Zhou Dusheng		260,019.28	2,243.70	262,262.98
Yang Li	–	–	–	–
Wang Guozhong	–	–	–	–
Wang Jun	–	–	–	–
Song Dejin	100,000.00	–	–	100,000.00
Zhu Mingyou	–	–	–	–
Wang Yichu	100,000.00	–	–	100,000.00
Min Weiguo	100,000.00	–	–	100,000.00
Supervisors				
Ou Guangquan (From January to May)	–	–	–	–
Fu Xiaosi	45,000.00	–	–	45,000.00
Zhu Zhengfu	45,000.00	–	–	45,000.00
Chen Shaolong		170,284.92	13,462.20	183,747.12
Qin Tinggui		181,215.92	13,462.20	194,678.12
Total	390,000.00	1,360,984.04	95,318.70	1,846,302.74

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2. Five highest paid individuals

Of the five highest paid individuals for the period, five are Directors (Corresponding period of last year: two Directors and three others). The remuneration of Directors and Supervisors were set out in Note XI.(v)(1).

Band of remuneration:

Item	Number of individuals for the period	Number of individuals for corresponding period of last year
Less than HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000		
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 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 period	Number of individuals for corresponding period of last year
Salaries, bonus and allowances	2,564,109.98	2,149,209.56
Retirement benefit plan contributions	164,962.50	122,243.10
Total	2,729,072.48	2,271,452.66

(vi) Amount due from directors/affiliates of directors

1. Amount of the Company due from directors/affiliates of directors:

As at 30 June 2017, 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 30 June 2017, 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 period, the Group had no share-based payments.

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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 30 June 2017, 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 instalments 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. On 10 April 2017, Huangpu Wenchong filed an arbitration at London Maritime Arbitration Tribunal in relation to the performance by the guarantor for two ships being H3069 and H3070 of its guarantee obligations.

As at 30 June 2017, the cases were still in the process of trial.

- (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. In 2011, Jiangsu Shenghua made part of project payment to Guangli. Following mediation by Wuhan Maritime Court on 29 July 2011, Jiangsu Shenghua was required to repay RMB16,940,000 to Guangli. As at 4 June 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua with the later returned all the related assets.

For the remaining three lawsuits, the Company had applied to the court for compulsory enforcement. The assessment of seized assets has been completed by the evaluation institutions entrusted by the execution court; the objection to notice has been declared by court for assessment report delivery and completion. Wuhan Maritime Court had two auctions of Jiangsu Shenghua seized assets respectively on 4 June 2013 and 8 August 2013, but both of the sales fell through. The Company has handled the formal application to offset the debts by assets to the court on 19 August 2013. The case is in the process of enforcement, Zhejiang Nantian Post and Telecommunication Technology Co. Ltd (hereinafter referred as "Zhejiang Nantian") is the main creditors of Jiangsu Shenghua, on July 30, 2013 Jiangsu Shenghua and Guangli and the Company has been treated as defendant which the lawsuit has been institute to the Wuhan Maritime Court, and require the court to confirm the priority right to be repaid by the 300T crane and other materials of Jiangsu Shenghua Shipbuilding Co. Ltd., and stop the implementation of 300T crane, if it has been implemented, the proceeds need to be paid to the creditor's right of Jiangsu Shenghua due to the priority. Zhejiang Nantian has been executed the objection to the court by the same reason on 22 May 2013, but it has been rejected by the court. The case has been opened since 20 November 2013. On 10 December 2013, the Wuhan Maritime Court has made the first instance judgment for the case of Zhejiang Nantian (according to 2013 Wuhan Maritime law and business No. 01328 civil judgment), which claimed that the Company and Guangli can enjoy the mortgage right for the mortgaged properties of Jiangsu Shenghua, and the creditor's right to seek the preferred payment before Zhejiang Nantian, the requirement of lawsuit from Zhejiang Nantian has been rejected. On 3 January 2014, the Company received the appellate petition of Zhejiang Nantian from Wuhan Maritime Court, and Zhejiang Nantian has been made an appeal to Hu Bei Provincial High Court and require to repeal the previous judgment from Wuhan Maritime Court, and also reclaim that Zhejiang Nantian has the priority to be paid back with 300T crane from Jiangsu Shenghua before Guangli. The Company and Guangli are in the process of communication with the court, and apply for the continued implementation to deal with Shenghua case. On 20 June 2014, the Company has made application to the Court for resumption of execution.

In November 2014, the Company received notice from executive court of Wuhan Maritime Court, that Jiangsu Shenghua has been ruled bankruptcy in the Zhenjiang Intermediate People's Court at the end of October, all cases which are executing shall be terminated, 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.

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The Company attended the second meeting of creditors on 27 April 2017 and received a ruling made by Zhenjiang Intermediate Court on 17 May 2017 which approved the proposal for bankruptcy and realization of properties of Jiangsu Shenghua. The valuation of the existing properties, land and structures erected thereon and machinery and equipment of Jiangsu Shenghua was completed, and its ships under construction were still under valuation. In the next step, the property manager will realize and auction these assets as a whole.

- (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 RMB44,496,500 and accrued interest (from 29 July 2009 to the effectiveness of the verdict; calculated in accordance with the lending rates of People's Bank of China over the same period) to Longxue Shipbuilding and 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.

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 at 30 June 2017, the disposal of the pledged assets of Shandong Qingyun by GSI was still pending.

- (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.

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- (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 appointed lawyers to deal with the arbitration initiated by the ship owner. 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 30 June 2017, Attalos, as the arbitration applicant, did not proceed to the arbitration case.

2. **Save for the contingencies mentioned above, there was no other significant contingency within the Group as at 30 June 2017.**

XIV. COMMITMENTS

1. Significant commitments

1) Pledge of assets

As at the end of the period, 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 period, the Group's issued but undue letters of guarantee were:

Type of guarantee	RMB	US\$
Performance guarantee	235,159,466.00	630,000.00
Advancement payment guarantee	490,001,700.00	708,741,847.23
Warranty guarantee	98,315,548.15	365,000.00
Customs duties guarantee	44,660,325.61	—
Other non-financing letters of guarantee	200,000.00	—
Tender bond	2,700,000.00	—
Total	871,037,039.76	709,736,847.23

As at the end of the period, the Group's issued but undue letters of credit amounted to US\$29,225,421.31 and EUR39,230,457.54.

3) Undue forward foreign exchange transaction

In order to prevent exchange risks, the Group entered into swap foreign exchange business with banks. As at the end of the period, the Group had a total of 4 outstanding USD contracts with total amount of US\$20 million and latest settlement date of 27 December 2017, and recognised gains on change in fair value of RMB-655,224.92 as at the end of the period.

2. Fulfilment of previous commitments

The payment of the pledged loans and settlement of forward contracts of letters of guarantee can be done by the Group according to agreement.

3. **Except for the commitments mentioned above, there was other significant commitment within the Group at the end of the period.**

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XV. EVENTS AFTER BALANCE SHEET DATE

1. Disposal of equity interest in GSI Yangzhou

At the 38th meeting of the eighth session of the Board and the first extraordinary meeting of 2017 held on 14 July and 29 August 2017, respectively, the resolution on the transfer of 51% equity interest in GSI Yangzhou Co., Ltd. and connected transaction was considered and passed, pursuant to which 51% equity interest in GSI Yangzhou, a wholly-owned subsidiary of the Company, will be transferred to CSSC, the controlling shareholder of the Company, as agreed at a consideration of RMB741,158,500.

As at the date of this report, save as disclosed above, there was no non-adjusting significant post balance sheet date event of the Group.

XVI. OTHER SIGNIFICANT EVENTS

1. Establishment of Nanfang Environment Co., Ltd. together with Guangzhou Supply and Marketing Cooperative

On 24 May 2017, GSI, a subsidiary of the Company, entered into a joint venture and cooperation agreement with Guangzhou Supply and Marketing Cooperative to jointly set up Nanfang Environment Co., Ltd. ("Nanfang Environment"). Pursuant to the agreement, the registered capital of Nanfang Environment shall be RMB500 million, of which RMB300 million shall be contributed by GSI in cash, representing 60% equity interest and RMB200 million shall be contributed by Guangzhou Supply and Marketing Cooperative in cash, representing 40% equity interest. Following the establishment of Nanfang Environment, GSI shall transfer all of its equity interest in Nanfang Environment to the Company and Guangzhou Supply and Marketing Cooperative shall transfer all of its equity interest in Nanfang Environment to Guangzhou Guanggong Asset Management Co., Ltd.. The initial capital contribution, amounting to RMB50 million in total, shall be made into the account of Nanfang Environment by the parties in proportion to their shareholding percentage in full within 40 days of the change of shareholders.

On 24 May 2017, Nanfang Environment was established with the approval of Guangzhou Administration for Industry and Commerce with a unified social credit code of 91440101MA59N24L26. It is principally engaged in ecological protection and environment treatment.

On 23 June 2017, GSI, the Company, Guangzhou Supply and Marketing Cooperative and Guangzhou Guanggong Asset Management Co., Ltd. entered into an equity transfer and capital contribution agreement as previously agreed.

On 13 July 2017, Guangzhou Administration for Industry and Commerce issued a notice of approval for change of registration (filing), and the procedures for change of business registration were completed. The shareholders of Nanfang Environment were changed to the Company and Guangzhou Guanggong Asset Management Co., Ltd..

As at the date of this report, the Company has not made capital contribution yet.

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 30 June 2017, Huangpu Wenchong had not made capital contribution yet.

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.

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(2) Financial information of reportable segments

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

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
Operating income	9,640,381,852.31	467,264,100.00	816,343,158.51	-506,457,913.37	10,417,531,197.45
Including: Revenue from external transactions	9,614,909,524.50	454,106,414.54	348,515,258.41	0.00	10,417,531,197.45
Revenue from inter-segment transactions	25,472,327.81	13,157,685.46	467,827,900.10	-506,457,913.37	0.00
Operating costs	8,899,544,721.50	408,799,244.56	753,653,060.68	-492,423,049.36	9,569,573,977.38
Period cost	735,166,323.41	28,851,290.50	42,301,849.54	-1,903,265.27	804,416,198.18
Segment total profit (total loss)	29,777,885.97	29,368,766.25	52,443,463.55	-48,522,456.95	63,067,658.82
Total assets	41,251,511,231.99	912,421,558.69	12,271,013,047.85	-11,168,124,302.78	43,266,821,535.75
including: Significant impairment loss of individual assets					
Total liabilities	30,873,062,455.49	508,986,438.40	1,422,654,811.42	-1,370,497,378.71	31,434,206,326.60
Supplementary information					
Capital expenditure	194,775,611.39	64,047.32	114,456,517.61	-2,301,826.45	306,994,349.87
Impairment loss recognised during current period	16,695,151.22	-184,488.01	-2,203,590.57		14,307,072.64
Including: Allocation for impairment of goodwill					
Depreciation and amortisation expenses	319,733,235.47	2,990,200.88	58,763,266.43	-367,714.99	381,118,987.79
Non-cash expenses other than loss of impairment, depreciation and amortisation					

Corresponding period of last year

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
Operating income	10,682,719,412.62	603,440,451.49	740,406,918.08	-666,618,493.40	11,359,948,288.79
Including: Revenue from external transactions	10,682,719,412.62	472,515,305.83	204,713,570.34		11,359,948,288.79
Revenue from inter-segment transactions		130,925,145.66	535,693,347.74	-666,618,493.40	
Operating costs	10,046,280,401.84	573,308,905.45	684,794,040.85	-668,713,012.55	10,635,670,335.59
Charges during the period	633,668,278.81	17,202,143.02	56,107,239.07	-1,344,978.46	705,632,682.44
Segment total profit (total loss)	49,126,861.33	18,685,269.56	-291,989.96	91,220.86	67,611,361.79
Total assets	49,182,493,674.67	806,380,684.81	3,248,762,152.52	-2,474,303,359.32	50,763,333,152.68
including: Significant impairment loss of individual assets					
Total liabilities	40,104,179,230.00	496,487,987.91	928,033,944.35	-1,134,439,006.74	40,394,262,155.52
Supplementary information					
Capital expenditure	596,296,224.70	425,264.89	23,611,050.21	1,340,701,530.87	1,961,034,070.67
Impairment loss recognised during current period	75,633,358.18	-483,356.24	302,628.37	-105,804.89	75,346,825.42
Including: Allocation for impairment of goodwill					
Depreciation and amortisation expenses	306,258,709.97	2,905,004.99	57,803,753.23	-1,643,812.78	365,323,655.41
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 period	Corresponding period of last year
Revenue from external transactions derived from China	10,366,453,884.44	10,996,637,220.02
Revenue from external transactions derived from other countries	51,077,313.01	363,311,068.77
Total	10,417,531,197.45	11,359,948,288.79

c. Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China	13,408,038,184.26	13,192,548,824.38
Non-current assets within other countries	95,465,068.43	97,538,928.10
Total	13,503,503,252.69	13,290,087,752.48

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

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

1. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	3,095.82	1,645.27
Bank deposits	92,522,084.69	88,026,589.25
Other cash at bank and on hand	30,000,000.00	30,000,000.00
Total	122,525,180.51	118,028,234.52

Including: Total amount deposited overseas

Note: Fixed deposit of RMB30,000,000.00 (Last year: RMB30,000,000.00).

2. Notes receivable

Type	Ending balance	Beginning balance
Bank acceptance bills	1,005,000.00	1,949,644.23
Total	1,005,000.00	1,949,644.23

The ageing of these notes receivable of the Company as at the end of the period were within 30 days for RMB130,000 and 31 to 60 days for RMB875,000.

3. Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	39,877,457.94	45,420,827.13
Less: Provision for bad debts	5,263,815.74	5,381,478.78
Net amount	34,613,642.20	40,039,348.35

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

(1) Credit period of accounts receivable

Business	Credit period
Shipbuilding	One month after issue of invoices
Other business	Normally 1 to 6 months

(2) Ageing analysis on accounts receivable

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	26,182,452.97	19,453.44	0.07
1-2 years	187,243.87	936.22	0.50
2-3 years	4,138,196.10	4,138,196.10	100.00
3-4 years	530,200.68	2,651.01	0.50
4-5 years	1,710,053.13	372,397.49	21.78
Over 5 years	7,129,311.19	730,181.48	10.24
Total	39,877,457.94	5,263,815.74	13.20

Ageing	Beginning balance		
	Accounts receivable	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

(3) Breakdown of accounts receivable by risk

Type	Ending balance				Beginning balance					
	Book balance	Provision for bad debts		Net amount	Book balance	Provision for bad debts		Net amount		
	Amount	Percentage (%)	Amount	Provision Percentage (%)	Amount	Percentage (%)	Amount	Provision Percentage (%)		
Accounts receivable which are individually significant and for which provision for bad debts is made on an individual basis	34,675,058.67	86.95	61,416.47	0.18	34,613,642.20	40,119,102.36	88.33	79,754.01	0.20	40,039,348.35
Accounts receivable for which provision for bad debts is made on a credit risk feature portfolio basis	5,202,399.27	13.05	5,202,399.27	100.00	5,301,724.77	11.67	5,301,724.77	100.00	-	-
Accounts receivable which are individually insignificant but for which provision for bad debts is made on an individual basis										
Total	39,877,457.94	-	5,263,815.74	-	34,613,642.20	45,420,827.13	-	5,381,478.78	-	40,039,348.35

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

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

Name of entity	Book balance	Amount of bad debts	Percentage (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,138,196.10	4,138,196.10	100.00	Expected to be unrecoverable
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Expected to be unrecoverable
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Expected to be unrecoverable
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Expected to be unrecoverable
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Expected to be unrecoverable
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Expected to be unrecoverable
Zhenhua Gulf Engineering Co. Ltd.	72,158.73	72,158.73	100.00	Expected to be unrecoverable
Qingdao Haier Special Plastic Co. Ltd.	44,800.00	44,800.00	100.00	Expected to be unrecoverable
Hisense (Nanjing) Electric Company Limited	39,100.00	39,100.00	100.00	Expected to be unrecoverable
Guangzhou Merro Steel Grating Co., Ltd.	35,000.00	35,000.00	100.00	Expected to be unrecoverable
Hefei Haier Refrigerator Co., Ltd.	32,600.00	32,600.00	100.00	Expected to be unrecoverable
Qingdao Haier Electric Plastic Development Co., Ltd.	18,000.00	18,000.00	100.00	Expected to be unrecoverable
Shenzhen Jishang Architectural Company	15,904.00	15,904.00	100.00	Expected to be unrecoverable
Hefei Rongshida Refrigerator Co., Ltd.	14,565.60	14,565.60	100.00	Expected to be unrecoverable
Total	5,202,399.27	5,202,399.27	100.00	

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

Name of portfolio	Book balance	Amount of bad debts	Percentage (%)
Within one year	3,890,689.45	19,453.44	0.50
1-2 years	187,243.87	936.22	0.50
2-3 years	0.00	0.00	0.50
3-4 years	530,200.68	2,651.01	0.50
4-5 years	1,710,053.13	6,721.89	0.50
Over 5 years	5,965,107.30	31,653.91	0.50
Total	12,283,294.43	61,416.47	-

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

Name of portfolio	Book value at the end of the period	Provision for bad debts	Net amount
Receivables from subsidiaries	22,391,764.24	0.00	22,391,764.24
Total	22,391,764.24	-	22,391,764.24

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

Provision for bad debts made during the period amounted to RMB-117,663.04, and there was no provision for bad debts recovered or reversed during the period.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

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

Name of entity	Ending balance	Ageing	Percentage of total accounts receivable for the period (%)	Ending balance of provision for bad debts
Guangzhou Shipyard International Company Limited	14,814,587.47	Within 6 months	37.15	0.00
Zhongshan GSI Marine Engineering Company Limited	7,277,176.77	Within 6 months	18.25	0.00
TENOVA AUSTRALIA PTY LTD	4,138,196.10	2-3 years	10.38	4,138,196.10
Fifth Construction Engineering Company of China Construction Sixth Engineering Division Corporation Limited	3,758,836.92	Over 5 years	9.43	18,794.18
Nanshan Waste Power Plant of Shenzhen Energy Environmental Protection Co., Ltd.	1,451,397.50	Over 5 years	3.64	7,256.99
Total	31,440,194.76	-	78.85	4,164,247.27

4. Prepayments

(1) Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	857,367.10	55.05	5,724,270.16	36.11
1-2 years	700,000.00	44.95	10,128,968.20	63.89
Total	1,557,367.10	-	15,853,238.36	-

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

Name of entity	Relationship with the Company	Amount	Percentage of total advances to suppliers (%)	Ageing	Reason for unsettlement
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	Subsidiary	700,000.00	44.95	1-2 years	Not completed
Total		700,000.00			

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

Name of entity	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	700,000.00	1-2 years	44.95
Guangzhou Jinrenji Electromechanical Equipment Co., Ltd.	150,000.00	Within 6 months	9.63
Liyang Jinkun Forging Co., Ltd.	132,640.00	Within 6 months	8.52
Shenzhen Dayatong Automation Equipment Co., Ltd.	125,930.42	Within 6 months	8.09
Kekong Industrial Automation Equipment (Shanghai) Co., Ltd.	87,000.00	Within 6 months	5.59
Total	1,195,570.42	-	76.78

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

5. Interest receivable

Item	Ending balance	Beginning balance
Fixed deposit	510,250.00	270,183.33
Total	510,250.00	270,183.33

6. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	5,284,394.75	1,862,155.44
Less: Provision for bad debts	8,508.57	4,499.66
Net amount	5,275,886.18	1,857,655.78

(1) Ageing analysis of other receivables

Item	Ending balance					Beginning balance				
	Carrying amount	Percentage (%)	Provision for bad debts	Provision Percentage (%)	Net amount	Carrying amount	Percentage (%)	Provision for bad debts	Provision Percentage (%)	Net amount
Within one year	5,019,394.75	94.99	7,183.57	0.14	5,012,211.18	1,591,175.74	85.45	3,144.76	0.20	1,588,030.98
1-2 years	265,000.00	5.01	1,325.00	0.50	263,675.00	270,979.70	14.55	1,354.90	0.50	269,624.80
2-3 years										
3-4 years										
4-5 years										
Over 5 years										
Total	5,284,394.75	-	8,508.57	0.16	5,275,886.18	1,862,155.44	-	4,499.66	0.24	1,857,655.78

(2) Breakdown of other receivables

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Provision Percentage (%)	Carrying value	Amount	Percentage (%)	Amount	Provision Percentage (%)	Carrying value
Other receivables which are individually significant and for which provision for bad debts is made on an individual basis										
Other receivables for which the provision for bad debts is made on credit risk features portfolio basis	5,284,394.75	100.00	8,508.57	0.16	5,275,886.18	1,862,155.44	100.00	4,499.66	0.24	1,857,655.78
Other receivables which are individually insignificant but for which the provision is made on an individual basis										
Total	5,284,394.75	-	8,508.57	-	5,275,886.18	1,862,155.44	-	4,499.66	-	1,857,655.78

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

- 1) *Other receivables in the portfolio for which provision for bad debts is made using balance percentage method*

Ageing	Ending balance		Percentage (%)
	Other receivables	Provision for bad debts	
Within one year	1,436,714.38	7,183.57	0.50
1-2 years	265,000.00	1,325.00	0.50
Total	1,701,714.38	8,508.57	-

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

Name of portfolio	Ending balance		Percentage (%)
	Other receivables	Provision for bad debts	
Receivables from subsidiaries	3,582,680.37	0.00	0.00
Total	3,582,680.37	0.00	-

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

Provision for bad debts made during the period amounted to RMB4,008.91, and there was no provision for bad debts recovered or reversed during the period.

(4) Breakdown of other receivables by nature

Nature	Book value at the end of the period	Book value at the beginning of year
Refundable deposits	10,440.00	10,440.00
Temporary payments receivable	596,500.00	596,500.00
Reserve funds	900,346.06	141,992.70
Other current account	3,777,108.69	1,113,222.74
Total	5,284,394.75	1,862,155.44

(5) Top five other receivables based on ending balance of debtors:

Name of entity	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of for provision for bad debts
Guangzhou Shipyard International Company Limited	Advances	3,531,291.48	Within one year	66.82	0.00
Zhongshan Marinetec Development Co., Ltd.	Deposit	265,000.00	1-2 years	5.01	1,325.00
CSSC Huangpu Wenchong Shipbuilding Company Limited	Interest on borrowing and repayment on a consolidated basis	51,388.89	Within one year	0.97	0.00
Beijing Shipbuilding Information Technology Co., Ltd.	Reserve funds	14,000.00	Within one year	0.26	70.00
China Ping An Property Insurance Co., Ltd. Guangdong Branch	Insurance claim payment	7,344.32	Within one year	0.14	36.72
Total	-	3,869,024.69	-	73.20	1,431.72

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

7. Inventories

(1) Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials	15,214,796.52		15,214,796.52	7,776,306.29		7,776,306.29
Work in progress	114,315,036.09	14,487,544.77	99,827,491.32	142,094,975.34	21,604,464.12	120,490,511.22
Finished goods	22,163,583.08	15,951.95	22,147,631.13	11,193,235.26	15,951.95	11,177,283.31
Goods in transit	7,151,587.10		7,151,587.10	6,053,793.99		6,053,793.99
Total	158,845,002.79	14,503,496.72	144,341,506.07	167,118,310.88	21,620,416.07	145,497,894.81

(2) Provision for impairment of inventories

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision	Others	Reversal or writing-off	Others	
Work in progress	21,604,464.12	-1,476,625.60	0.00	5,640,293.75	0.00	14,487,544.77
Finished goods	15,951.95					15,951.95
Total	21,620,416.07	-1,476,625.60	0.00	5,640,293.75	0.00	14,503,496.72

(3) Provision for impairment of inventories

Item	Basis for determination of net realisable value	Reason for reversal or writing-off during the period
Work in progress	Book value higher than net realisable value (Estimated selling price less related costs and expenses)	Writing off according to production process
Finished goods	Book value higher than net realisable value (Estimated selling price less taxes)	Writing off with sales

8. Non-current assets due within one year

Item	Ending balance	Beginning balance	Nature
Long-term receivables due with one year	300,000,000.00		Loans to subsidiaries
Total	300,000,000.00		

9. Other current assets

Item	Ending balance	Beginning balance	Nature
Value-added input tax credit	25,909,102.25	22,772,600.20	
Total	25,909,102.25	22,772,600.20	

10. Long-term receivables

Item	Ending balance		Beginning balance	
	Balance	Provision for bad debts	Balance	Provision for bad debts
Loans to subsidiaries	100,000,000.00		600,000,000.00	
Total	100,000,000.00		600,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

11. Long-term equity investments

(1) Breakdown of long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	8,535,717,482.56		8,535,717,482.56	8,535,717,482.56		8,535,717,482.56
Total	8,535,717,482.56		8,535,717,482.56	8,535,717,482.56		8,535,717,482.56

(2) Investments in subsidiaries

Investee	Beginning balance	Current period Increase	Current period Decrease for the period	Ending balance	Provision made for the period Provision for impairment	Provision for impairment Ending balance
Guangzhou Shipyard International Company Limited	4,061,415,202.10			4,061,415,202.10		
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	8,535,717,482.56			8,535,717,482.56		

(3) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	8,535,717,482.56	8,535,717,482.56
Total	8,535,717,482.56	8,535,717,482.56

12. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning balance	131,606,268.32	82,867,580.72	3,260,484.74	623,701.85	218,358,035.63
2. Increase for the period				23,753.67	23,753.67
(1) Purchase				23,753.67	23,753.67
3. Decrease for the period					
4. Ending balance	131,606,268.32	82,867,580.72	3,260,484.74	647,455.52	218,381,789.30
II. Accumulated depreciation					
1. Beginning balance	72,719,548.78	63,216,945.36	2,514,996.94	285,067.54	138,736,558.62
2. Increase for the period	1,891,257.92	2,069,579.11	-475,332.50	21,039.56	3,506,544.09
(1) Provision made	1,891,257.92	1,443,421.66	120,628.83	51,235.68	3,506,544.09
3. Decrease for the period					
4. Ending balance	74,610,806.70	65,286,524.47	2,039,664.44	306,107.10	142,243,102.71
III. Provision for impairment					
1. Beginning balance					
2. Increase for the period					
3. Decrease for the period					
4. Ending balance					
IV. Carrying value					
1. Carrying value at the end of the period	56,985,461.62	17,581,056.25	1,220,820.30	341,348.42	76,138,686.59
2. Carrying value at the beginning of the year	58,886,719.54	19,650,635.36	745,487.80	338,634.31	79,621,477.01

The depreciation and amortisation of fixed assets recognised in profit or loss during the period is RMB3,506,544.09 (Corresponding period of last year: RMB3,595,758.11).

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From 1 January 2017 to 30 June 2017

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

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

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	56,995,461.62	58,886,719.54
Total	56,995,461.62	58,886,719.54

13. Disposal of fixed assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off Machinery and equipment	2,690,572.88 31,132.31	2,436,726.74 31,132.31
Total	2,721,705.19	2,467,859.05

14. Intangible assets

Item	Land use rights	Total
I. Original carrying amount		
1. Beginning balance	14,780,508.50	14,780,508.50
2. Increase for the period		
3. Decrease for the period		
4. Ending balance	14,780,508.50	14,780,508.50
II. Accumulated amortisation		
1. Beginning balance	3,665,175.32	3,665,175.32
2. Increase for the period	161,651.64	161,651.64
(1) Provision made	161,651.64	161,651.64
3. Decrease for the period		
4. Ending balance	3,826,826.96	3,826,826.96
III. Provision for impairment		
1. Beginning balance		
2. Increase for the period		
3. Decrease for the period		
4. Ending balance		
IV. Carrying value		
1. Carrying value at the end of the period	10,953,681.54	10,953,681.54
2. Carrying value at the beginning of the year	11,115,333.18	11,115,333.18

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

Land use rights analysed by region and term:

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	10,953,681.54	11,115,333.18
Total	10,953,681.54	11,115,333.18

The amortisation of intangible assets recognised in profit or loss during the period is RMB161,651.64 (Corresponding period of last year: RMB162,537.72).

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From 1 January 2017 to 30 June 2017

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

15. Long-term prepaid expenses

Item	Beginning balance	Increase for the period	Amortisation for the period	Other decreases for the period	Ending balance
Improvement in leased fixed assets	343,667.20		170,661.48		173,005.72
Total	343,667.20		170,661.48		173,005.72

16. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets not offset

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 unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	19,775,821.03	31,549,660.98
Deductible tax loss	446,392,292.11	439,741,825.94
Total	466,168,113.14	471,291,486.92

(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	388,478,886.08	388,478,886.08	
2021	51,262,939.86	51,262,939.86	
2022	6,650,466.17	0.00	
Total	446,392,292.11	439,741,825.94	

17. Short-term borrowings

Type	Ending balance	Beginning balance
Credit loans		17,500,000.00
Total		17,500,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

18. Accounts payable

(1) Breakdown of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	48,497,951.48	65,497,384.00
Payment for projects under construction	0.00	162,939.14
Balance of product payment	871,410.85	14,359,603.78
Retention money	1,936,196.71	1,947,731.71
Other construction and labour services	1,064,043.55	6,517,496.31
Total	52,369,602.59	88,485,154.94

(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	28,731,528.83	47,026,673.03
1-2 years	8,628,048.37	18,271,181.53
2-3 years	9,585,396.95	19,135,352.26
Over 3 years	5,424,628.44	4,051,948.12
Total	52,369,602.59	88,485,154.94

(3) Significant accounts payable aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Guangzhou United Steel Structures Limited	11,764,663.84	Undue
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	9,336,919.60	Undue
Total	21,101,583.44	-

19. Advances from customers

(1) Advances from customers

Item	Ending balance	Beginning balance
Electromechanical and other products	70,286,756.23	77,013,708.94
Total	70,286,756.23	77,013,708.94

(2) Significant advances from customers aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Shenzhen Xuneng Power Generation Co., Ltd.	24,337,703.36	Project uncompleted and unsettled
Hainan Xuneng Power Generation Co., Ltd.	13,212,275.90	Project uncompleted and unsettled
Wah-Chang International Marine Industry Company Limited	3,645,240.14	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
Total	51,193,008.96	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

20. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term employee benefits	1,323,940.47	25,898,295.56	25,806,007.79	1,416,228.24
Post-employment benefits – defined contribution plans		2,465,898.91	2,465,898.91	0.00
Total	1,323,940.47	28,364,194.47	28,271,906.70	1,416,228.24

(2) Short-term employee benefits

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	1,228,771.25	14,652,535.82	14,465,078.83	1,416,228.24
Employee benefits		781,727.88	781,727.88	
Social insurance		1,131,234.28	1,131,234.28	
Including: Medical insurance		865,684.71	865,684.71	
Work-related injury insurance		125,261.61	125,261.61	
Maternity insurance		110,366.34	110,366.34	
Supplemental medical insurance		29,921.62	29,921.62	
Housing fund		1,293,004.00	1,293,004.00	
Union & education funds	95,169.22	325,451.33	420,620.55	
Outsourcing labour costs and other short-term compensation		7,714,342.25	7,714,342.25	
Total	1,323,940.47	25,898,295.56	25,806,007.79	1,416,228.24

(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 period were as follows:

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Basic pension insurance		2,372,159.95	2,372,159.95	
Unemployment insurance		93,738.96	93,738.96	
Total		2,465,898.91	2,465,898.91	

As at 30 June 2017, all planned pension and unemployment insurance contributions of the Company had been made.

21. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	1,572,928.37	1,655,763.81
Individual income Tax	257,630.58	514,589.50
City maintenance and construction tax	110,104.99	115,903.47
Property tax	485,152.83	807,342.86
Land use tax	179,033.10	315,808.80
Educational surcharge	78,646.42	82,788.20
Others	5,960.32	5,372.32
Total	2,689,456.61	3,497,568.96

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

22. Interest payable

(1) Breakdown of interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings of which the interest is paid in instalments and the principal is repaid when due	321,180.56	329,274.30
Interest payable on short-term borrowings	0.00	9,892.36
Total	321,180.56	339,166.66

23. Dividends payable

Item	Ending balance	Beginning balance
Dividends on ordinary shares	22,792,057.74	498,004.54
Including: Dividends payable for A shares	13,208,207.36	341,776.11
Dividends payable for H shares	9,583,850.38	156,228.43
Total	22,792,057.74	498,004.54

24. Other payables

(1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	315,000.00	838,360.00
Payable for temporary receipts	21,727,691.07	21,206,919.71
Total	22,042,691.07	22,045,279.71

(2) Significant other payables aged over 1 year

None.

25. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due with one year	300,000,000.00	482,500,000.00
Total	300,000,000.00	482,500,000.00

26. Long-term borrowings

Type	Ending balance	Beginning balance
Credit loans	400,000,000.00	582,500,000.00
Total	400,000,000.00	582,500,000.00
The carrying amount of the above borrowings shall be repaid:		
Within one year	300,000,000.00	482,500,000.00
Over one year but less than two years after balance sheet date	100,000,000.00	100,000,000.00
Less: Amount due within one year, as shown under current liabilities	300,000,000.00	482,500,000.00
Amount shown under non-current liabilities	100,000,000.00	100,000,000.00

Note: Long-term borrowings carried interest at a rate of 1.85%.

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From 1 January 2017 to 30 June 2017

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

27. Special payables

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Item A	17,850,000.00			17,850,000.00
Item B	6,720,000.00			6,720,000.00
Item C	26,600,000.00			26,600,000.00
Item D	4,500,000.00			4,500,000.00
Item E	43,700,000.00			43,700,000.00
Total	99,370,000.00			99,370,000.00

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

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

Item	Ending balance
Item A	17,850,000.00
Item B	6,720,000.00
Item C	26,600,000.00
Item D	4,500,000.00
Item 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 CSSC.

28. Estimated liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	0.00	4,543,266.47	Provision made for maintenance fees
Total	0.00	4,543,266.47	

29. Share capital

The amount of such item is the same as that in the consolidated statements. For details, please see Note VI.(39).

30. Capital reserve

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

31. Surplus reserve

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	443,829,390.11			443,829,390.11
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	462,411,586.54			462,411,586.54

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

32. Undistributed profit

Item	Current period	Percentage (%)
Ending balance of last year	674,572,834.25	
Add: Beginning adjustment to undistributed profit		
Beginning balance of the year	674,572,834.25	
Add: Net profit attributable to owners of the Company for the period	34,352,097.03	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
General reserve made		
Dividends payable on ordinary shares	22,616,102.05	
Ending balance of current period	686,308,829.23	

33. Net current assets

Item	Ending balance	Beginning balance
Current assets	635,737,934.31	346,268,799.58
Less: Current liabilities	471,917,973.04	693,202,824.22
Net current assets	163,819,961.27	-346,934,024.64

34. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	9,381,442,495.91	9,595,534,618.58
Less: Current liabilities	471,917,973.04	693,202,824.22
Total assets less current liabilities	8,909,524,522.87	8,902,331,794.36

35. Borrowings

Details of the borrowings of the Company are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	0.00	17,500,000.00
Non-current liabilities due within one year	300,000,000.00	482,500,000.00
Long-term borrowings	100,000,000.00	100,000,000.00
Total	400,000,000.00	600,000,000.00

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From 1 January 2017 to 30 June 2017

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

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	400,000,000.00	600,000,000.00
– Bank borrowings repayable after 5 years		
Other borrowings		
– Other borrowings repayable within 5 years		
– Other borrowings repayable after 5 years		
Total	400,000,000.00	600,000,000.00

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	300,000,000.00	500,000,000.00
1-2 years	100,000,000.00	100,000,000.00
2-5 years		
Total	400,000,000.00	600,000,000.00

36. Operating income & Operating costs

Item	Current period	Corresponding period of last year
Income from principal business	64,797,138.99	246,802,086.69
Income from other business	1,756,317.72	4,321,743.11
Total	66,553,456.71	251,123,829.80
Costs of principal business	63,108,447.11	244,007,675.93
Costs of other business	796,285.95	81,194.29
Total	63,904,733.06	244,088,870.22

Gross profit of principal business

Item	Current period	Corresponding period of last year
Income from principal business	64,797,138.99	246,802,086.69
Costs of principal business	63,108,447.11	244,007,675.93
Gross profit	1,688,691.88	2,794,410.76

Income from building contracts

Item	Current period	Corresponding period of last year
Income from building contracts	0.00	171,738,029.86

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

(1) *Principal business – by product*

Product name	Current period	Corresponding period of last year
Operating income		
Shipbuilding		171,738,029.86
Electromechanical products and others	64,797,138.99	75,064,056.83
Total	64,797,138.99	246,802,086.69
Operating costs		
Shipbuilding		169,832,413.09
Electromechanical products and others	63,108,447.11	74,175,262.84
Total	63,108,447.11	244,007,675.93

(2) *Principal business – by region*

Region	Current period	Corresponding period of last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	64,797,138.99	75,064,056.83
Other regions in Asia		86,704,059.27
Europe		85,033,970.59
Total	64,797,138.99	246,802,086.69
Operating costs		
China (including Hong Kong, Macau and Taiwan)	63,108,447.11	74,175,262.84
Other regions in Asia		85,607,974.71
Europe		84,224,438.38
Total	63,108,447.11	244,007,675.93

(3) *Other operating income and other operating costs*

Product name	Current period	Corresponding period of last year
Income from other business		
Sale of materials	899,174.86	111,362.39
Sales of scrap materials		1,474,531.66
Service income		2,735,849.06
Rental income	857,142.86	
Total	1,756,317.72	4,321,743.11
Costs of other business		
Sale of materials	52,761.65	74,333.19
Sales of scrap materials		6,861.10
Service income		
Rental income	743,524.30	
Total	796,285.95	81,194.29

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

(4) Top five customers by operating income

Customers	Current period	Percentage (%)
Guangzhou Shipyard International Company Limited	21,661,913.59	33.43%
Zhongshan GSI Marine Engineering Company Limited	3,465,923.08	5.35%
Changsha Zehai Electromechanical Equipment Co., Ltd.	2,906,153.84	4.49%
Foshan Shengchuan Machine Tool Co., Ltd.	2,235,598.30	3.45%
Guangdong Changhong Highway Engineering Co. Ltd.	1,700,390.60	2.62%
Total	31,969,979.41	49.34%

(5) Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount	Percentage (%)
Foshan Shunde Bogang Metal Trading Co., Ltd.	Third party	7,959,007.73	12.61%
Guangzhou Shipyard International Company Limited	Internal related party	6,190,972.09	9.81%
Zhongshan GSI Marine Engineering Company Limited	Internal related party	3,923,888.48	6.22%
Guangdong Hengcheng Technology Co., Ltd.	Third party	2,935,031.98	4.65%
Zhaoqing Tongyong Hydraulic And Pneumatic Components Co., Ltd.	Third party	1,959,479.00	3.10%
Total		22,968,379.28	36.39%

37. Taxes and surcharges

Item	Current period	Corresponding period of last year
Property tax	593,152.80	
Land use tax	179,498.10	
City maintenance and construction tax	217,070.41	412,763.12
Educational surcharge	155,050.29	294,830.82
Vehicle usage tax	3,252.96	
Stamp duty	106,339.90	
Total	1,254,364.46	707,593.94

38. Selling expense

Item	Current period	Corresponding period of last year
Transportation fees	1,328,074.39	1,204,110.60
Business expenditure	429,000.21	358,846.45
Exhibition fees	136,384.69	
Advertising fee	16,556.61	
Other selling expenses	1,000.00	1,000.00
Ship maintenance fees		1,905,616.77
Total	1,911,015.90	3,469,573.82

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

39. Administrative expense

Item	Current period	Corresponding period of last year
Employee salaries	3,774,907.15	2,556,645.30
Board meeting fee	1,060,836.38	398,021.64
Repairing expenses	427,737.17	1,008,016.23
Others	369,702.70	496,158.24
Intermediary fee	293,468.62	4,903.00
Litigation fees	225,471.69	
Amortisation of intangible assets	161,651.64	162,537.72
Travelling expense	151,969.49	135,379.20
Security expense	149,629.44	
Business entertainment expenses	128,312.92	185,180.26
Consulting fees	113,207.55	
Lease expenses	98,857.14	
Depreciation charge	64,400.98	13,362.93
Office expenses	31,047.38	33,870.11
Insurance premium	21,598.98	92,508.12
Utilities expense	18,039.09	
Environmental protection fee	471.70	8,724.00
Taxation		745,058.47
Labour service fee		45,177.84
Total	7,091,310.02	5,885,543.06

40. Finance cost

(1) Breakdown of finance costs

Item	Current period	Corresponding period of last year
Interest expense	6,940,326.41	6,242,979.18
Less: Interest income	7,449,193.41	10,679,394.57
Add: Exchange losses	-1,063,382.34	-17,655.24
Add: Other expenses	17,400.33	550,410.73
Total	-1,554,849.01	-3,903,659.90

(2) Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years	6,940,326.41	6,242,979.18
Sub-total	6,940,326.41	6,242,979.18
Other borrowings		
Interest on other borrowings due within 5 years		
Sub-total		
Less: Interest capitalised		
Total	6,940,326.41	6,242,979.18

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

(3) Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	508,867.00	10,679,394.57
Other interest income	6,940,326.41	
Total	7,449,193.41	10,679,394.57

41. Loss on impairment of assets

Item	Current period	Corresponding period of last year
Loss on bad debts	-113,654.13	95,310.11
Loss on impairment of inventories	-1,476,625.60	
Total	-1,590,279.73	95,310.11

42. Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using cost method	29,280,048.42	93,600,910.09
Total	29,280,048.42	93,600,910.09

The investment income from non-listed investments for the period amounted to RMB29,280,048.42.

43. Other income

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Special post-R&D grant for enterprises in Guangzhou	8,123,700.00	-	National government subsidy	Relating to revenue
Total	8,123,700.00	-	-	-

44. Non-operating income

(1) Breakdown of non-operating income

Item	Current period	Corresponding period of last year	Amount included non-recurring gains and in losses for current period
Government grants	1,400,000.00	10,111,218.97	1,400,000.00
Others	11,197.30	319,076.93	11,197.30
Total	1,411,197.30	10,430,295.90	1,411,197.30

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

(2) Breakdown of government grants

Item	Corresponding period of last year		Source and basis	Relating to assets/ Relating to revenue
	Current period			
Incentive subsidy for contribution to local economic development by headquarters for 2016-2017	1,400,000.00		National government subsidy	Relating to revenue
Special funds for development of service outsourcing for 2015		177,300.00	Government subsidy	Relating to revenue
Tax relief for land use right tax and property tax for 2013		933,918.97	Tax relief	Relating to revenue
Export credit insurance special funds for 2015		4,000,000.00	Government subsidy	Relating to revenue
Special funds for cultivation of provincial high-tech enterprises for 2015		3,311,700.00	Government subsidy	Relating to revenue
Special government grant for research and development of enterprises in Guangdong Province for 2015		1,688,300.00	Government subsidy	Relating to revenue
Total	1,400,000.00	10,111,218.97		

45. Non-operating expenses

Item	Corresponding period of last year		Amount included non-recurring gains and losses in for current period
	Current period		
Others	10.70	100,008.00	10.70
Total	10.70	100,008.00	10.70

46. Income tax expenses

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

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

Item	Current period	Corresponding period of last year
Total consolidated profit for the year	34,352,097.03	104,711,796.54
Income tax expenses calculated at statutory/ applicable tax rate	8,588,024.26	26,177,949.14
Impact of non-taxable income	-7,320,012.11	-23,400,227.52
Impact of non-deductible costs, expenses and losses	12,831.30	54,402.67
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-1,280,843.45	-2,832,124.29
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses		
Under-provision for income tax for prior years		
Change in balance of deferred tax assets/liabilities as a result of change in tax rate		
Income tax expenses	-	-

47. Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of fixed assets	3,506,544.09	3,595,758.10
Long-term prepaid expenses	170,661.48	171,082.39
Amortisation of intangible assets	161,651.64	162,537.72
Total	3,838,857.21	3,929,378.21

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

None.

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49. Operating rental expense

Operating rental expense for the period is RMB98,857.14 (Corresponding period of last year: RMB0.00).

50. Rental income

Operating rental income for the period is RMB857,142.86 (Corresponding period of last year: RMB0.00), including rental income from land and buildings of RMB857,142.86 (Corresponding period of last year: RMB0.00).

51. Supplementary information on consolidated income statement of the Company

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

Item	Current period	Corresponding period of last year
Raw materials consumed	29,911,747.00	26,319,784.06
Employee compensation expenses	20,614,519.84	31,246,727.54
Others	12,788,775.56	17,958,313.22
Shipbuilding fee	3,802,873.07	169,761,447.50
Depreciation expenses	3,506,544.09	3,595,758.10
Utilities fee	1,950,286.30	3,483,278.10
Amortisation expenses	332,313.12	333,620.11
Taxes and surcharges		745,058.47
Total	72,907,058.98	253,443,987.10

52. Notes to items in the cash flow statement

(1) Other cash receipts or payments from operating activities, investing activities and financing activities

1) Other cash receipts relating to operating activities

Item	Current period	Corresponding period of last year
Government grants	9,523,700.00	9,177,300.00
Income from other current accounts received	6,593,536.43	492,349.04
Interest income	212,766.47	367,799.24
Other non-operating income	-	287,537.89
Receipt/recovery of deposit and margin	-	655,200.00
Total	16,330,002.90	10,980,186.17

2) Other cash payments relating to operating activities

Item	Current period	Corresponding period of last year
Payment of other current accounts	11,570,552.36	22,160,577.28
Administrative expense	3,090,350.25	1,238,035.64
Operating expense	782,173.82	-
Reserve funds	661,777.56	517,264.80
Deposit and margin paid	523,360.00	164,600.00
Bank charges	17,400.33	545,151.53
Non-operating expenses	10.70	100,008.00
Warranty expense	-	-
Total	16,645,625.02	24,725,637.25

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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3) *Other cash receipts relating to investing activities*

Item	Current period	Corresponding period of last year
Collection of principal of loans made and settled on a consolidated basis	500,000,000.00	
Collection of interest on loans made and settled on a consolidated basis	7,073,937.51	
Release of pledge on fixed deposits		1,001,640,000.00
Interest income on fixed deposits		26,103,494.97
Total	507,073,937.51	1,027,743,494.97

4) *Other cash payments relating to investing activities*

Item	Current period	Corresponding period of last year
Borrowing and repayment on a consolidated basis	300,000,000.00	
Total	300,000,000.00	

5) *Other cash receipts relating to financing activities*

None

6) *Other cash payments relating to financing activities*

None

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

Item	Current period	Corresponding period of last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	34,352,097.03	104,711,796.54
Add: Provision for impairment of assets	-1,590,279.73	95,310.11
Depreciation of fixed assets	3,506,544.09	3,595,758.10
Amortisation of intangible assets	161,651.64	162,537.72
Amortisation of long-term prepaid expenses	170,661.48	171,082.39
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")	-	-
Loss on disposal of fixed assets (Gain expressed with "-")	-	-
Loss on changes in fair value (Gain expressed with "-")	-	-
Finance cost (Gain expressed with "-")	-824,886.95	-4,086,271.39
Loss on investments (Gain expressed with "-")	-29,280,048.42	-93,600,910.09
Decrease in deferred tax assets (Increase expressed with "-")	-	-
Increase in deferred tax liabilities (Decrease expressed with "-")	-	-
Decrease in inventories (Increase expressed with "-")	8,273,308.09	413,891,259.90
Decrease in operating receivables (Increase expressed with "-")	17,361,645.37	22,141,759.33
Increase in operating payables (Decrease expressed with "-")	-56,150,792.96	-744,484,789.72
Others	-	-
Net cash flows from operating activities	-24,020,100.36	-297,402,467.11
2. Significant non-cash investing and financing activities:		
Conversion of debts into capital	-	-
Convertible corporate bonds due within one year	-	-
Fixed assets acquired under finance lease arrangement	-	-
3. Changes in cash and cash equivalents:		
Cash balance at the end of the year	92,525,180.51	173,636,505.36
Less: Beginning balance of cash	88,028,234.52	2,724,187,025.99
Add: Balance of cash equivalents at the end of the year	-	-
Less: Beginning balance of cash equivalents	-	-
Net increase in cash and cash equivalents	4,496,945.99	-2,550,550,520.63

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

(3) Cash and cash equivalents

Item	Ending balance	Ending balance for last year
Cash	92,525,180.51	88,028,234.52
Including: Cash on hand	3,095.82	1,645.27
Bank deposits available for use on demand	92,522,084.69	88,026,589.25
Other cash at bank and on hand for use on demand		
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents at the end of the year	92,525,180.51	88,028,234.52
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use		

XVIII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 30 August 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	Explanation
Gain or loss on disposal of non-current assets	984,482.08	
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	32,998,478.01	
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	26,507,232.89	
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 of held-for-trading financial assets, held-for-trading financial liabilities 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	-651,024.92	
Reversal of the impairment provision for receivables which are tested individually for impairment		
Gains or losses from 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	7,366,424.73	
Other gain or loss items meeting the definition of non-recurring gains or losses		
Sub-total	67,205,592.79	
Effect of income tax	4,678,470.46	
Effect of minority interests (after tax)	102.05	
Total	62,527,020.28	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

- (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
Immediately refunded value-added tax for software revenue	714,152.98	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	714,152.98	

2. Return on equity 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 the Company	0.42%	0.0311	0.0311
Net profit attributable to shareholders of the Company, net of exceptional items	-0.18%	-0.0131	-0.0131

3. Abnormal issues and explanations

assets	Note	Ending balance	Beginning balance	Change	Percentage of change
Cash and cash equivalents	Note 1	8,426,013,582.72	12,347,969,978.26	-3,921,956,395.54	-31.76%
Notes receivable	Note 2	61,291,937.59	122,945,274.57	-61,653,336.98	-50.15%
Accounts receivable	Note 3	1,705,230,847.51	1,280,968,787.17	424,262,060.34	33.12%
Interest receivable	Note 4	93,930,722.87	138,243,843.26	-44,313,120.39	-32.05%
Non-current assets due within one year	Note 5	701,000,000.00	0.00	701,000,000.00	Not applicable
Disposal of fixed assets	Note 6	5,029,274.40	2,572,359.05	2,456,915.35	95.51%
Other non-current assets	Note 7	300,000,000.00	1,001,361,563.30	-701,361,563.30	-70.04%

Note 1. Cash at bank and on hand decreased by 31.76%, mainly due to the decrease in project settlement;

Note 2. Notes receivable decreased by 50.15%, mainly due to the decrease in bank acceptance bills received during the period;

Note 3. Accounts receivable increased by 33.12%, mainly due to the increase in ship-related progress receivables;

Note 4. Interest receivable decreased by 32.05% compared to that of the end of last year, mainly due to the decrease in fixed deposit for the period compared to that of the end of last year;

Note 5. Non-current assets due within one year increased by RMB701 million compared to that of the end of last year, mainly due to the reclassification of wealth management products under the agreement with CSSC Finance at the end of last year to non-current assets due within one year as at the end of the period;

Note 6. Fixed assets disposed of increased by 95.51% compared to that of the end of last year, mainly due to the increase in relocation expense during the year;

Note 7. Other non-current assets decreased by RMB70.04% from the end of last year, mainly due to the reclassification of wealth management products under the agreement with CSSC Finance at the end of last year to non-current assets due within one year as at the end of the period;

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

Liabilities and equity	Note	Ending balance	Beginning balance	Change	Percentage of change
Short-term borrowings	Note 8	1,450,562,726.06	445,636,500.54	1,004,926,225.52	225.50%
Financial liabilities at fair value through profit or loss	Note 9	655,224.92	0.00	655,224.92	Not applicable
Notes payable	Note 10	1,336,659,948.06	1,916,069,525.06	-579,409,577.00	-30.24%
Employee benefits payable	Note 11	97,617,874.40	59,354,143.31	38,263,731.09	64.47%
Taxes payable	Note 12	71,208,900.40	127,111,097.76	-55,902,197.36	-43.98%
Interest payable	Note 13	18,173,157.90	11,109,426.83	7,063,731.07	63.58%
Dividends payable	Note 14	30,656,057.74	3,806,004.54	26,850,053.20	705.47%
Special payables	Note 15	99,370,000.00	1,390,339,744.58	-1,290,969,744.58	-92.85%
Special reserve	Note 16	3,958,118.83	929,231.60	3,028,887.23	325.96%
Minority interests	Note 17	1,460,214,060.86	62,996,345.75	1,397,217,715.11	2,217.93%

Note 8. Short-term borrowings increased by 225.50% from the end of last year, mainly due to the change of borrowing structure and the increase in short-term borrowings;

Note 9. Financial liabilities at fair value through profit and loss increased by RMB655,200, mainly due to new foreign exchange swap contracts during the period;

Note 10. Notes payable decreased by 30.24% from the end of last year, mainly due to the payment for notes upon their maturity during the period;

Note 11. Employee benefits payable increased by 64.47% from the end of last year, mainly due to provision made by the subsidiaries of the Company for bonus for 2017;

Note 12. Taxes payable as at the end of the period decreased by 43.98% from the end of last year, mainly due to: 1) the payment of year-end bonus by the subsidiaries of the Company as at the end of last year, leading to high individual income tax payable; 2) the decrease in both value-added tax and income tax payable;

Note 13. Interest payable increased by 63.58%, mainly due to the increase in interest rate of borrowings;

Note 14. Dividends payable increased by 705.47% from the end of last year, mainly due to: 1) outstanding dividends payable for A shares and H shares of RMB22,792,100; 2) dividends payable to minority interests of RMB7,864,000;

Note 15. Special payables decreased by 92.85% from the end of last year, mainly due to the transfer of special payables for subsidiaries of the Company to capital reserve;

Note 16. Special reserve decreased by 325.96% from the end of last year, mainly due to the provision made for production safety fee;

Note 17. Minority interests decreased by 2,217.93% from the end of last year, mainly due to the transfer from special payables;

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 30 June 2017

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

Income/expense	Note	Current year	Last year	Change	Percentage of change
Taxes and surcharges	Note 18	34,472,271.94	11,239,441.71	23,232,830.23	206.71%
Finance cost	Note 19	198,463,829.73	9,665,504.45	188,798,325.28	1953.32%
Loss on impairment of assets	Note 20	14,307,072.64	75,346,825.42	-61,039,752.78	-81.01%
Gain on change in fair value	Note 21	-655,224.92	149,283,686.40	-149,938,911.32	Not applicable
Investment income	Note 22	26,917,017.63	-74,790,875.31	101,707,892.94	Not applicable
Other income	Note 22	20,209,210.99	-	20,209,210.99	Not applicable
Non-operating income	Note 23	22,812,890.90	66,248,903.45	-43,436,012.55	-65.56%
Non-operating expenses	Note 24	977,913.09	5,189,356.38	-4,211,443.29	-81.16%
Income tax expenses	Note 25	11,111,662.08	23,834,214.63	-12,722,552.55	-53.38%
Other comprehensive income	Note 26	213,038.28	-331,848.09	544,886.37	Not applicable

Note 18. Taxes and surcharges for the period increased by 206.71% from corresponding period of last year, mainly because taxation, such as property tax, vehicle usage tax and stamp tax, for the period from January to April of last year was not included in taxes and surcharges in accordance with the Circular Cai Kuai [2016] No. 22;

Note 19. Finance cost increased by 1,953.32% from corresponding period of last year, mainly due to the increase in exchange loss as a result of change in exchange rate;

Note 20. Loss on impairment of assets decreased by 81.01% from corresponding period of last year, mainly due to the decrease in provision for impairment of inventories from corresponding period of last year arising from building contracts;

Note 21. Gain on change in fair value decreased by RMB150 million from corresponding period of last year, mainly because all forward exchange contracts had been settled on maturity or closed during the year, resulting in significant decrease in gain on change of fair value during the period;

Note 22. Investment income for the period increased by RMB102 million from corresponding period of last year, mainly because there was no gain or loss on closing during the period;

Note 23. Other income increased by RMB20,209,200 and non-operating income for the period decreased by RMB43,436,000 from the previous period, mainly because the government grants relating to the normal production or operation of the Company were included in other income or offset against the relevant costs and expenses in accordance with the Accounting Standards for Business Enterprises No. 16 – Government Grant revised by the Ministry of Finance on 10 May 2017;

Note 24. Non-operating expenses for the period decreased by 81.16% from corresponding period of last year, mainly due to the decrease in loss on disposal of non-current assets for the period compared to corresponding period of last year;

Note 25. Income tax expense for the period decreased by 53.38% from corresponding period of last year, mainly due to the decrease in income tax expense for current period.

Note 26. Other comprehensive income increased by RMB544,900 from corresponding period of last year, mainly due to the change in fair value of available-for-sale financial assets.

CSSC Offshore & Marine Engineering (Group) Company Limited

30 August 2017