



中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

H Stock Code: 00317 A Stock Code: 600685

Annual Report 2017

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- I. **The Board, the Supervisory Committee, the Directors, Supervisors and senior management of the Company confirm that information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.**
- II. **All Directors of the Company attended the third meeting of the ninth session of the Board held on 29 March 2018, of which Mr. Chen Liping, an executive Director, and Mr. Shi Jun, a non-executive Director, appointed Mr. Han Guangde, the chairman, to attend and vote at the meeting on their behalf; Mr. Xiang Huiming and Mr. Chen Ji, both executive Directors, appointed Mr. Chen Zhongqian, vice chairman, to attend and vote at the meeting on their behalf; Mr. Yang Li, a non-executive Director, appointed Mr. Yu Shiyong, an independent Director, to attend and vote at the meeting on his behalf; and Mr. Min Weiguo, an independent Director, appointed Mr. Wang Yichu, an independent Director, to attend and vote at the meeting on his behalf. The annual report for 2017 was unanimously approved at the meeting.**
- III. **ShineWing has audited the financial report for the year and issued standard audit report without qualifying opinions.**
- IV. **Han Guangde, the person in charge of the Company, Hou Zengquan, the person in charge of accounting and Xie Weihong, the head of accounting department (accountant in charge), have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this annual report.**
- V. **Profit distribution proposal or proposal for capitalisation of capital reserves of the Company for the Reporting Period considered by the Board**

In accordance with the sub-section 4, section (3) of article 215 of the Articles of Association of the Company: before distribution of cash dividends, the gearing ratio of the Company shall not exceed 70%. The Company's gearing ratio as at 31 December 2017 was 72.95%, remaining at a high level. In addition, given that the Company has experienced a rapid increase in the number of orders secured in 2018 and has strong demand for production and working capital, the Company will not distribute dividends for 2017, nor will it convert any capital reserve into share capital.
- VI. **This annual report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.**
- VII. **No controlling shareholder or related party of the Company has misappropriated funds of the Company and no guarantee has been provided by the Company in violation of the required decision-making procedures.**
- VIII. **This annual report is prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.**

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 Limited
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 China State Shipbuilding Corporation Limited
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution wholly-owned by China State Shipbuilding Corporation Limited
CSSC Holdings	China CSSC Holdings Limited, a listed company controlled by China State Shipbuilding Corporation Limited
CSSC Chengxi	CSSC Chengxi Shipbuilding Co., Ltd., a subsidiary of China CSSC Holdings Limited
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, a wholly-owned subsidiary of the Company during the Reporting Period
GSI	Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company during the Reporting Period
GSI Yangzhou	currently known as CSSC Chengxi Yangzhou Shipbuilding Company Limited (中船澄西揚州船舶有限公司) and formerly known as GSI Yangzhou Co., Ltd. (廣船國際揚州有限公司), a company held as to 49% by the Company
Wenchong Shipyard	Guangzhou Wenchong Shipyard Co. Ltd., a wholly-owned subsidiary of Huangpu Wenchong
Zhongshan GSI	Zhongshan GSI Marine Engineering Company Limited, a wholly-owned subsidiary of GSI
United Steel	Guangzhou United Steel Structures Limited, a wholly-owned subsidiary of GSI
Wenchuan Heavy Industrial	Guangzhou Wenchuan Heavy Industrial Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong
Shanghai Lingxiang	Shanghai Lingxiang Equity Investment Co., Ltd., a company indirectly held as to 50% by China State Shipbuilding Corporation Limited
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
ShineWing	ShineWing Certified Public Accountants LLP
SSE	the Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
PRC	People's Republic of China

II. IMPORTANT RISK WARNINGS

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

I. COMPANY INFORMATION

Chinese name of the Company	中船海洋與防務裝備股份有限公司
Chinese abbreviation	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 METHODS

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

III. GENERAL INFORMATION

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

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. INFORMATION ON THE COMPANY'S SHARES

Information on the Company's shares

Class of shares	Stock exchange on which the shares are listed	Stock abbreviation	Stock code	Stock abbreviation before change
A Shares	Shanghai Stock Exchange	COMEC	600685	GUANGZHOU SHIP
H Shares	The Stock Exchange of Hong Kong Limited	COMEC	00317	GSI

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic and overseas)	Name Office address Names of signing accountant	ShineWing 8/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC Chen Gang, Song Yong
Financial advisor performing continuous monitoring and guidance duties during the Reporting Period	Name Office address Signing officers of financial advisors Period of continuous monitoring and guidance	CITIC Securities Company Limited A/F, Merchants Bank Tower, No. 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province Zhu Yexin, He Yang From 1 January 2017 to 31 December 2017
Legal adviser appointed by the Company (domestic)	Name Office address	ETR Law Firm 29/F, CTF Finance Centre (Guangzhou East Tower), 6 Zhujiang Road East, Zhujiang New Town, Guangzhou
Legal adviser appointed by the Company (Hongkong)	Name Office address	Herbert Smith Freehills 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share registrar and transfer office	A Shares Office address H Shares Office address	China Securities Depository and Clearing Corporation Limited Shanghai Branch 3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai Hong Kong Registrars Limited 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

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

(i) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2017	2016	Change (%)	2015
Operating income	22,313,381,938.04	23,349,604,897.69	-4.44	25,519,239,791.42
Net profit attributable to shareholders of the Company	87,796,591.29	71,224,250.43	23.27	98,320,709.38
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-1,036,245,149.98	-95,996,520.60	Not applicable	-1,619,637,867.68
Net cash flows from operating activities	-847,216,894.16	-3,761,073,635.17	Not applicable	-1,058,252,073.77
	At the end of 2017	At the end of 2016	Change (%)	At the end of 2015
Net assets attributable to shareholders of the Company	10,414,542,658.54	10,347,803,098.94	0.64	10,318,048,242.46
Total assets	44,157,662,027.63	46,268,585,829.63	-4.56	48,995,954,305.21

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

(ii) Key financial indicators

Key financial indicators	2017	2016	Change (%)	2015
Basic earnings per share (RMB/share)	0.0621	0.0504	23.21	0.0709
Diluted earnings per share (RMB/share)	0.0621	0.0504	23.21	0.0709
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.7331	-0.0679	Not applicable	-1.2291
Weighted average return on equity (%)	0.84	0.69	Increase of 0.15 percentage points	0.99
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-9.97	-0.93	Decrease of 9.04 percentage points	-17.86

VIII. MAJOR FINANCIAL DATA OF 2017 BY QUARTER

Unit: Yuan Currency: RMB

	First quarter (January to March)	Second quarter (April to June)	Third quarter (July to September)	Fourth quarter (October to December)
Operating income	4,081,009,544.05	6,336,521,653.40	5,072,503,678.01	6,823,347,062.58
Net profit attributable to shareholders of the Company	18,410,735.37	25,561,490.52	-231,027,931.01	274,852,296.41
Net profit attributable to shareholders of the Company, net of extraordinary items	-32,362,963.01	13,808,168.62	-389,516,347.90	-628,174,007.69
Net cash flows from operating activities	-2,047,837,423.33	-1,724,431,117.18	-125,403,693.19	3,050,455,339.54

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

IX. EXTRAORDINARY ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2017	Note (where applicable)	Amount for 2016	Amount for 2015
Gain or loss on disposal of non-current assets	-2,270,814.27		-8,419,716.70	-3,211,071.04
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, 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	144,268,243.87		125,739,665.59	192,692,782.78
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 assets under management	64,625,451.49		75,873,758.87	34,828,675.78
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 redundancy pay and integration costs	-		-	-
Gain or loss on 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	-		-	-36,332,145.48
Gain or loss on 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 and 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	11,450,439.60		14,222,799.15	-196,831,173.89
Reversal of the provision for impairment of receivables which are tested individually for impairment	-		106,000	-
Gain or loss on entrusted loans	-		-	-
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement	-		-	-
Effect of one-off 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	849,352,673.89		-60,166,333.22	4,617,023.08
Other gain or loss items meeting the definition of non-recurring gains or losses	74,229,303.45	Note	26,896,200.00	2,054,974,131.69
Effect of minority interests	-688,182.25		-241,527.82	-805,077.83
Effect of income tax	-16,925,374.51		-6,790,074.84	-331,974,568.03
Total	1,124,041,741.27		167,220,771.03	1,717,958,577.06

Note: Other gain or loss items meeting the definition of non-recurring gains or losses represent the gain on disposal of long-term equity investments. During the Reporting Period, the Company transferred its 51% equity interest in GSI Yangzhou, the then wholly-owned subsidiary, to CSSC, the controlling shareholder of the Company, through an agreement at a consideration of RMB741,158,500. The transaction brought investment income of RMB74,229,300 to the Group for the Reporting Period.

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

X. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the year
1. Financial assets at fair value through profit or loss		6,602,255.91	6,602,255.91	19,880,855.91
2. Available-for-sale financial assets	3,151,874.04	10,317,771.48	7,165,897.44	150,980.73
3. Financial liabilities at fair value through profit or loss		-3,366,294.31	-3,366,294.31	-8,430,416.31
Total	3,151,874.04	13,553,733.08	10,401,859.04	11,601,420.33

Note: Amount of impact on profit for the year includes gain or loss on change in fair value and investment income.

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

(1) Principal activities

COMEC is a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment being maritime defense equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. Currently, the Company has two major subsidiaries, namely GSI and Huangpu Wenchong, and their principal activities cover four major segments including marine equipment, shipbuilding, offshore engineering and non-ship business, with principal products of shipbuilding and marine products including military ships, special supporting ships, business ships, oil tankers, feeder container ships, ro-ro passenger ships, semi-submerged ships and polar module carriers, offshore platform, as well as non-ship products including steel structures and sets of electromechanical equipment. During the Reporting Period, the Group's principal activities have not been changed.

(2) Business model

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

(3) Industry overview

The shipbuilding industry in which the Group operates is highly cyclical and is mainly affected by factors including the global economic and trading trend, cyclical fluctuation in the shipping market and international raw oil prices.

In 2017, new shipbuilding volume in the world was 1,024 ships/72,641,000 DWT, representing an increase of 133%, and the shipbuilding market picked up. China's three major indicators for shipbuilders (ship completion volume, number of new orders and number of orders on hand) accounted for 39.1%, 44.4% and 44.8% of the global data, and ranked No. 1 in the world. There was an obvious trend that new shipbuilding builders tend to be concentrated in leading enterprises, as top 10 players in the PRC acquired 73.95% orders in the PRC. For details of the industry, please refer to section IV of this report.

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

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

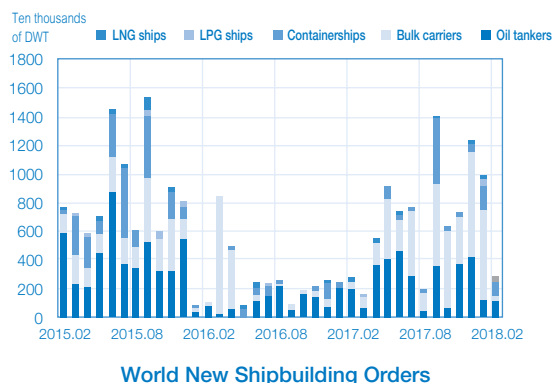
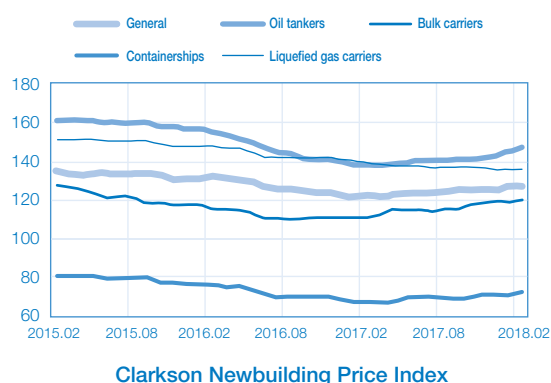
- (1) Product advantage. COMEC is a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment being maritime defense equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. It is leading in military ship, civil ship and offshore engineering business. By adhering to the principle of continuous innovation and quality first, the Group continued to expand and grow. Led by the market and with products with competitiveness strengths as a platform, the Group continued to improve and optimise ship models, improve product performance and better met the needs of customers. In addition, it extended product offering based on its products with competitive strengths to create product series in order to actively guide the market and deeply explore and meet customers' needs.
- (2) Technical advantage. The Group has three national enterprise technical centres, a postdoctoral workstation, a national measurement centre and 4,237 designers. Through continuous research and development and independent innovations, the Group overcame difficulties in advanced technologies and conducted research and development of multiple types of new green, energy-saving and environment-friendly ships such as like oil tanker, chemical cargo ship, ro-ro ship, ro-ro passenger ship, semi-submerged ship, pipe laying and lifting ship and large rescue ship. As at the end of 2017, the Group had obtained 869 patents and developed ships which rank No.1 in several hi-tech areas including the world's first smart business ship, the world's first polar heavy-load deck ship, the largest semi-submerged ship in Asia and the first luxury ro-ro passenger ship in the PRC. Several technical indicators of the Group are leading in the industry, and the Group's research and development, design and manufacturing technologies of ship products have reached advanced level in the world and have provided strong support for the expansion of operation of the Company.
- (3) Brand advantage. In terms of military products, the Group is the most important production and support facility of military ships and special supporting ships of the PRC navy in southern China, the largest manufacturer of military auxiliary ships in the PRC, and an important business ship manufacturer in the PRC. For civil products, the Group enjoys great reputation. GSI is known for manufacturing ships such as handy-size tankers and semi-submerged ships, and has developed polar module carriers and polar condensate tankers based on its semi-submerged ships, which can sail through icy area by breaking ice. Huangpu Wenchong occupies leading position in terms of multi-purpose deepwater survey ships, platform supply ships, feeder containerships and dredging ships. The Group's steel structure brand is well-known in the world. It has undertaken major projects including the "City of Dreams" project in Macau and the Hong Kong-Zhuhai-Macau Bridge and has established a good reputation in the industry.
- (4) Market advantage. The Group's principal business and products have high market share in domestic and overseas markets, which has laid a solid foundation in the market. In particular, it occupies the leading position in the world in terms of tankers, semi-submerged ships, ro-ro passenger ships, feeder containerships and dredging engineering ships and the leading position in the PRC in terms of military ships, business ships, over 1,000-ton maritime police ship series and the new generation of large ocean rescue ships. Its R550-D drilling platform is currently one of the most effective platforms built in the PRC.

Such strengths mentioned above have contributed to the sustainable development of the Company. In addition, against the background of accelerated industry upgrading in the shipbuilding industry and elimination of backward production capacity, social resources will be further concentrated in high-quality enterprises. The Company will focus on new development, explore new growth drivers and continue to conduct innovations. The Company will continue to enhance its core competitiveness including research and development capability, building technologies, high-end talent development, information development. It will continue to improve efficiency, lower cost, further improve profitability and provide better returns to its shareholders.

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

(i) Development of the shipbuilding market in 2017

In 2017, the global shipbuilding market picked up. On the one hand, the number of shipbuilding orders increased. As a result of multiple positive factors including the recovery of the shipping market, low prices for new ships and favourable payment terms, ship owners' enthusiasm in investing in new ships was strengthened, and certain ship owners already had the intention of placing shipbuilding orders and gradually started to place orders. According to China Shipbuilding Industry Economic Research Center, new shipbuilding volume in the global shipbuilding market experienced a significant growth compared with 2016, amounting to 1,024 ships for the period from January to December 2017 with 72,641,000 DWT, representing a year-on-year increase of 133%. On the other hand, the price of new ships reached the bottom and then started to stabilize. The volume of orders in hand in the global shipbuilding market sharply shrank in 2016. In order to alleviate the future pressure arising from idle capacity and seek survival, at the beginning of 2017, the competition among global shipbuilders intensified, and a round of price war among the shipbuilding market was started. The ClarkSea Index once dropped to 121 points, a new low level in the history. In addition, the prices of shipbuilding steel plates surged, and shipbuilding cost continued to increase. Since mid-2017, the prices of new ships slightly recovered, and the ClarkSea Index increased to 125 points in December 2017. However, the shipbuilding industry was still at a historically low level, and there had been no substantial improvement in the industry conditions of excessive shipbuilding capacity and difficulties facing shipbuilding enterprises to make profit.



(ii) Performance of the Group

In 2017, as the global shipbuilding industry remained at the bottom level, competition among domestic and overseas shipbuilding enterprises intensified and the difficulties for shipbuilding enterprises to make profit remained, the Group actively made use of its own strengths and took the initiative to adopt corresponding measures. It adhered to the principle of "military products first", strengthened its operation and management, maintained its marketing efforts to secure orders for shipbuilding and non-ship business. It continued to improve productivity, lowered financial leverage on its own initiative, strictly controlled enterprise cost, focused on optimising industry structure, and united all employees to make concerted efforts, which has enabled the Company to make progress and record steady growth of operational performance while maintaining stability in the doldrums for the industry and ensured the normal and sustainable development of the Group.

1. In 2017, the operating income of the Group amounted to RMB22,313 million, representing a decrease of 4.44% compared with last year; total profit amounted to RMB168 million, representing an increase of 41.07% compared with last year; net profit attributable to the shareholders of the Company amounted to RMB87,796,600, representing an increase of 23.27% compared with last year.
2. Core shipbuilding business made steady progress, and civil product business strived to get out of difficulties. In 2017, the Group actively made use of its own brand and technology strengths, continued to strengthen production and operation management, fully improved quality and performance, and captured the opportunities. During the year, it secured orders for building 43 ships/1,958,600 DWT. For military products, the Company always adheres to the strategy of "military products first" and fully supported the building of products under construction. For civil products, the Company continued to promote the transformation and upgrading of product structure. The goal of securing civil product orders for the year was achieved.
3. Actively responded to the government supply side reform policies and organised and implemented market-oriented debt-to-equity conversion projects. In order to further lower its gearing ratio, optimise asset structure, mitigate financial risks and improve its core competitiveness and sustainable development ability, under the general arrangement of CSSC, the Group carried out asset reorganisation in respect of certain equity interest in GSI and Huangpu Wenchong and implemented market-oriented debt-to-equity conversion in the amount of RMB4.8 billion in accordance with the government's policies relating to the supply side structure reform of "cutting overcapacity, destocking, deleveraging, reducing corporate costs and shoring up weak spots". Under the audited financial information of the Company for 2017, upon completion of the material asset reorganisation, the Company's consolidated gearing ratio will be reduced from 72.95% to 62%.

4. Completion of the transfer of equity interest in GSI Yangzhou and gradual facilitation of expansion into environmental protection industry. In 2017, in view of the development situations of the shipbuilding industry and in order to comprehensively coordinate and optimise resource allocation and improve the efficiency of comprehensive utilisation of resources, the Company completed the transfer of 51% equity interest in GSI yangzhou. In addition, the Company actively explored strategic planning for diversified development and expanded into the environment protection industry. It established Nanfang Environment Co., Ltd., and played the driving role of capital to build an environment protection industry chain from waste separation to backend resource optimisation and treatment.

In the process of implementing marine strategy, developing marine economy and building a strong marine power by China, the Group, as the No. 1 military industry concept A+H share, will further implement the spirit of the 19th National Congress of the Communist Party of China. In the face of continuous downturn of the shipbuilding industry, it will make use of its own strengths, tackle difficult problems, make advances with determination, implement new development ideas, and stick to the main theme of supply side structure reform. With “innovations, talents, capital, reform and management” as the new driving forces, the Company will further implement the key work for “cut overcapacity and excess inventory, deleverage, reduce costs, and strengthen points of weakness”, vigorously facilitate the adjustment to industry structure and product mix, make its core shipbuilding and maritime activities stronger and better, actively develop diversified industries, focus on developing new growth drivers, and strive to develop into an innovative maritime equipment group with leading position in the PRC and ranking among top class in the world and in turn to actively create values for its shareholders.

II. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the Group completed the building of 66 ships/3,539,600 DWT, realized operating income of RMB22,313 million, representing a year-on-year decrease of 4.44%; total profit of RMB168 million, representing a year-on-year increase of 41.07%; net profit attributable to shareholders of the Company of RMB87,796,600, representing a year-on-year increase of 23.27%. It secured shipbuilding orders in the amount of RMB12,725 million, representing a year-on-year decrease of 42.2%, mainly due to the decline in the amount of military product orders secured.

(i) Analysis of principal business

Table of movement analysis on the related items in income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	22,313,381,938.04	23,349,604,897.69	-4.44
Operating costs	20,946,888,731.47	21,713,708,013.17	-3.53
Selling expense	195,604,950.61	116,743,820.71	67.55
Administrative expense	1,256,121,621.24	1,395,560,018.97	-9.99
Finance cost	528,776,547.46	-17,946,547.67	Not applicable
Net cash flows from operating activities	-847,216,894.16	-3,761,073,635.17	Not applicable
Net cash flows from investing activities	2,131,372,669.34	5,792,949,478.11	-63.21
Net cash flows from financing activities	489,195,493.02	-1,806,734,376.67	Not applicable
Research and development expense	636,897,127.00	656,726,952.16	-3.02

SECTION IV REPORT OF THE BOARD

1. Analysis of income and cost

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

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

Unit: Yuan Currency: RMB

Principal business by industry

By industry	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Industrial	22,068,390,246.16	20,746,447,426.94	5.99	-4.37	-3.49	Decrease of 0.86 percentage points

Principal businesses by product

By product	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Shipbuilding business	18,019,685,451.60	16,778,382,132.50	6.89	-3.92	-6.00	Increase of 2.06 percentage points
Offshore engineering business	2,149,511,747.39	2,276,550,433.21	-5.91	-16.61	3.94	Decrease of 20.95 percentage points
Ship maintenance business	240,980,902.48	226,177,355.67	6.14	-37.29	-25.85	Decrease of 14.48 percentage points
Steel structure engineering	1,009,381,917.95	886,436,024.23	12.18	12.11	10.26	Increase of 1.47 percentage points
Electromechanical products and others	648,830,226.74	578,901,481.33	10.78	41.04	66.45	Decrease of 13.62 percentage points

Principal business by region

By region	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
China (including Hong Kong, Macau and Taiwan)	15,076,725,666.01	13,937,282,583.06	7.56	-5.41	-5.25	Decrease of 0.15 percentage points
Other regions in Asia	1,910,696,025.11	1,808,319,098.90	5.36	14.35	9.65	Increase of 4.06 percentage points
Europe	3,704,884,516.76	3,661,276,288.67	1.18	-21.03	-16.54	Decrease of 5.32 percentage points
Oceania	367,697,785.00	395,581,284.12	-7.58	-37.95	-31.05	Decrease of 10.77 percentage points
North America	785,053,651.23	787,374,155.93	-0.30	4,958.78	3,911.49	Increase of 26.18 percentage points
Africa	67,588,288.81	29,791,295.74	55.92	-59.76	-81.01	Increase of 49.36 percentage points
South America	155,744,313.24	126,822,720.52	18.57	Not applicable	Not applicable	Not applicable
Total	22,068,390,246.16	20,746,447,426.94	5.99	-4.37	-3.49	Decrease of 0.86 percentage points

During the Reporting Period, the Group's income from principal business amounted to RMB22,068 million, representing a year-on-year decrease of 4.37%. Income from offshore engineering business and ship maintenance business recorded significant year-on-year decreases of 16.61% and 37.29%, respectively. Income from steel structure engineering and electromechanical products and other business recorded year-on-year increases of 12.11% and 41.04%, respectively. Gross profit from principal business amounted to RMB1,322 million, and gross profit margin amounted to 5.99%, representing a year-on-year decrease of 0.86 percentage points, mainly due to the year-on-year decrease in gross profit of offshore engineering business, ship maintenance business and electromechanical products and other business, as well as the year-on-year increase in gross profit from shipbuilding business and steel structure engineering business.

As for product mix, the percentage of income from marine business remained stable at 91% to 93% of total income in both years. Shipbuilding business contributed 81.65% of income, representing an increase of 0.38 percentage points compared with last year; offshore engineering business contributed 9.74% of income, representing a decrease of 1.43 percentage points compared with last year; the percentage of income from ship maintenance, steel structure steel structure engineering and electromechanical products remained substantially flat with last year.

1) Shipbuilding business

During the period, income from shipbuilding business amounted to RMB18,020 million, representing a year-on-year decrease of 3.92%. During the Reporting Period, the overall production and operation capacity of shipbuilding business remained stable. The number of completed ships picked up. Due to the appreciation in the exchange rate of Renminbi against US dollars, operating income from shipbuilding business, which was denominated in US dollars, recorded a year-on-year decrease.

2) Offshore engineering business

During the period, income from offshore engineering business amounted to RMB2,150 million, representing a year-on-year decrease of 16.61%, which was mainly due to the fact that the global marine engineering equipment market entered a period of downturn; during the Reporting Period, GSI, a subsidiary of the Group, had no offshore engineering products in 2017; and the output value of Huangpu Wenchong, a subsidiary of the Company, slightly increased.

3) Ship maintenance business

During the Reporting Period, income from ship maintenance business amounted to RMB241 million, representing a year-on-year decrease of 37.29%, mainly due to the ship renovation project in large amount undertaken in 2016 which was mostly completed in 2016. Excluding such factor, the Group carried out market development and achieved substantial results in repair of military ships and repair and maintenance of military ships during the Reporting Period.

4) Steel structure engineering business

During the Reporting Period, income from steel structure engineering business amounted to RMB1,009 million, representing a year-on-year increase of 12.11%, mainly due to the sufficient amount of orders on hand for steel structure engineering business and the expansion into bridge market, resulting in the year-on-year increase in output, during the Reporting Period.

5) Electromechanical products and other business

Income from electromechanical products and other business amounted to RMB649 million, representing a year-on-year increase of 41.04%, mainly because the Group vigorously undertook outfitting projects and consolidated its strength in the area of crane building during the Reporting Period. As a result, its output significantly increased. Due to the preparations for plant relocation, the output of shearing press and elevators decreased.

By geographic region, operating income from China (including Hong Kong, Macau and Taiwan) decreased by 5.41% and operating income from overseas markets decreased by 2.05% compared with last year. The Group will actively respond to the adverse effects arising from the fact that the global shipbuilding industry remained at a low level and competition among domestic and foreign shipbuilders intensified, make use of its own strengths, take active initiatives, adhere to the principle of "military products first", strengthen its operation and management, and vigorously develop domestic and overseas markets.

SECTION IV REPORT OF THE BOARD

(2). *Analysis of production and sales volume*

Principal product	Production volume	Sales volume	Inventory volume	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory volume over last year (%)
Shipbuilding (ton)	3,522,514	3,522,514	0	112.99	112.99	0
Offshore engineering (ton)	17,100	17,100	0	-92.64	-92.64	0
Steel structure engineering (ton)	97,073	97,073	0	103.32	103.32	0
Electromechanical products	-	-	-	-	-	-
Including: Cranes	6	7	0	50	133.33	0
Shearing press	484	502	11	-5.10	-14.77	-62.07
Elevators	414	414	0	-22.76	-22.76	0

Description of production and sales volume

The completed tonnage of shipbuilding increased significantly, mainly due to the year-on-year increase in the number of ships completed of 13 and the high percentage of ships with large tons. Two 250,000-ton VLOCs which were built through outsourcing were completed during the Reporting Period.

The completed tonnage of offshore engineering decreased significantly, mainly due to the year-on-year decrease in the number of ships completed for offshore engineering products of 3 and the small tonnage for completed products as a result of the downturn of the global offshore engineering market.

The completed tonnage of steel structure increased significantly, mainly due to the strong production and operational results and the substantial increase in the production volume of steel structure of Huangpu Wenchong.

The business of electromechanical products changed to varied degrees. Crane business grew as result of market expansion; the production and sales volume of both shearing press and elevators decreased, mainly due to the preparations for relocation.

The production and sales volume of shipbuilding and offshore engineering products provided by the Group was calculated based on the tonnage of completed products, and the recognition of their revenue and costs are made in accordance with the requirements of the Accounting Standards for Business Enterprises No. 15 - Construction Contract. Large steel structures provided by the Group was calculated based on the tonnage of completed products and the recognition of their revenue and costs are made in accordance with the requirements for construction contracts.

SECTION IV REPORT OF THE BOARD

(3). Cost analysis

Unit: RMB in ten thousand

By industry

By industry	Components of cost	Amount of current period	Proportion among total cost this year (%)	Amount for the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change (%)	Explanation
Industrial	Direct materials	1,325,123.33	63.87	1,375,942.23	64.01	-3.69	/
	Processing cost	761,318.79	36.70	828,474.51	38.54	-8.11	/
	Impairment loss	-11,797.38	-0.57	-54,795.16	-2.55	-78.47	Note 1

By product

By product	Components of cost	Amount of current period	Proportion among total cost this year (%)	Amount for the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Explanation
1. Shipbuilding business	Direct materials	1,083,904.47	52.25	1,180,314.18	54.91	-8.17	/
	Processing costs	605,731.12	29.20	658,681.56	30.64	-8.04	/
	Impairment loss	-11,797.38	-0.57	-54,067.43	-2.52	-78.18	Note 1
2. Offshore engineering business	Direct materials	161,494.74	7.78	134,580.14	6.26	20.00	/
	Processing costs	66,160.31	3.19	85,164.77	3.96	-22.31	/
	Impairment loss	-	-	-727.73	-0.03	-100.00	Note 1
3. Ship maintenance business	Direct materials	11,190.58	0.54	11,095.24	0.52	0.86	/
	Processing costs	11,427.16	0.55	19,407.98	0.90	-41.12	Note 2
	Impairment loss	-	-	-	-	-	/
4. Steel structure engineering	Direct materials	49,343.26	2.38	39,738.00	1.85	24.17	/
	Processing costs	39,300.34	1.89	40,655.07	1.89	-3.33	/
	Impairment loss	-	-	-	-	-	/
5. Electromechanical products and others	Direct materials	19,190.29	0.92	10,214.67	0.48	87.87	Note 3
	Processing costs	38,699.86	1.87	24,565.13	1.14	57.54	Note 3
	Impairment loss	-	-	-	-	-	/

SECTION IV REPORT OF THE BOARD

Description:

The table above set out the breakdown of cost of principal business of the Group by product.

Note 1: "Impairment loss" was negative as the provision for impairment of inventories previously made was reversed to offset the cost of principal business upon recognition of gross profit when the progress of shipbuilding under long-term shipbuilding contracts reaches 30% (for non-first-made shipbuilding contracts) or 50% (for first-made shipbuilding contracts) during the Reporting Period. The reversal of provision for impairment of construction-in-progress was RMB117,973,800 during the Reporting Period, representing a year-on-year decrease of 78.47%, mainly due to the year-on-year decrease in the provision made for loss-making shipbuilding contracts under construction for which the condition to revenue recognition has been met.

Note 2: During the Reporting Period, the processing cost incurred for the ship maintenance business was RMB114,271,600, representing a year-on-year decrease of 41.12%, mainly due to the decrease in ship maintenance volume during the period. Income from such business recorded a year-on-year decrease of 37.29%, and processing cost declined accordingly.

Note 3: During the Reporting Period, direct material cost of electromechanical products and other business incurred was RMB191,902,900, representing a year-on-year increase of 87.87%; processing cost incurred was RMB386,998,600, representing a year-on-year increase of 57.54%. On the one hand, as a result of the increase in the number of products under this segment, income increased by 41.04% year on year, and cost of materials consumed and processing cost increased accordingly. On the other hand, cost of materials accounted for a large portion of cost during the Reporting Period as a result of the difference in product structure during the Reporting Period.

(4). *Information on major customers and major suppliers*

Sales to five largest customers amounted to RMB12,202,787,000, representing 55.30% of total annual sales, of which sales to related parties were RMBnil, representing 0% of total annual sales.

Procurement from five largest suppliers amounted to RMB4,878,794,700, representing 23.52% of total annual procurement cost, of which procurement from related parties was RMB3,317,112,900, representing 15.99% of total annual procurement cost.

2. Expenses

During the Reporting Period, the Group's total expenses amounted to RMB1,980 million, representing an increase of 32.53% from last year, details of which are as follows:

Unit: RMB in ten thousand

Item	Current period	Corresponding period of last year	Change	Change (%)
Selling expense	19,560	11,674	7,886	67.55
Administrative expense	125,612	139,556	-13,944	-9.99
Finance cost	52,878	-1,795	54,673	Not applicable

Description:

- (1) Total selling expenses were RMB195.60 million, representing a year-on-year increase of 67.55%, mainly because the warranty period of a large number of ships expired last year, resulting in large amount of warranty balance;
- (2) Total administrative expenses were RMB1,256.12 million, representing a year-on-year decrease of 9.99%, mainly due to the year-on-year decrease in repair expenses during the Reporting Period and the implementation of the Accounting Standards for Business Enterprises No. 16 - Government Grant, whereby research grants are offset against the research and development expense for the period in which the relevant costs are recognised based on the substance of economic behaviours;
- (3) Total finance costs were RMB528.78 million, representing a year-on-year increase of RMB546.73 million, mainly due to an increase in exchange loss as a result of the change in exchange rate and a decrease in interest income from existing funds.

3. Research and Development Expenses

Research and development expenses table

	<i>Unit: RMB</i>
Research and development expense recorded in expenses during the period	636,897,127.00
Capitalised research and development expenditures for current period	-
Total research and development expenditures	636,897,127.00
Percentage of total research and development expenditures over operating income (%)	2.85
Number of research and development staff	2,186
Number of research and development staff over total number of staff (%)	12.19
Percentage of research and development expenditure capitalised (%)	0

Description

During the Reporting Period, the Group actively pushed forward technological innovations and deeply explored its technological potential. As a result, its overall technological research and development capability continued to improve, with a total of 223 technological research and development projects, including 116 key technological research and development projects for the year. In respect of external projects, the cooperation with scientific research institutes was strengthened. In addition, in light of the requirements for the strategic transformation of the Company, it continued to facilitate the research and development of new products, process improvement and digital and smart manufacturing technologies; and the efforts put in and support for maritime engineering equipment, polar ships, semi-submersible engineering ships, luxury Ro/Ro passenger ships, next-generation energy-saving and environmentally-friendly ships and non-ship products was reinforced.

4. Cash Flows

During the Reporting Period, net cash and cash equivalent of the Group increased by RMB1,545 million or 136.69% year-on-year. Details of the composition of the cash flows from operating activities, investing activities and financing activities are as follows:

Unit: RMB in ten thousand

Item	Current period	Corresponding period of last year	Change	Change (%)
Net cash flows from operating activities	-84,722	-376,107	291,385	Not applicable
Net cash flows from investing activities	213,137	579,295	-366,158	-63.21
Net cash flows from financing activities	48,920	-180,673	229,593	Not applicable

Description:

- (1) Cash flows from operating activities during the Reporting Period amounted to RMB847 million, representing a year-on-year increase of RMB2,914 million, mainly due to the decrease in cash payment for goods and services as a result of the decrease in inventories during the Reporting Period.
- (2) Cash flows from investing activities during the Reporting Period amounted to RMB2,131 million, representing a year-on-year decrease of RMB3,662 million, mainly due to the decrease in net pledged fixed deposits as a result of release of deposits during the Reporting Period.
- (3) Cash flows from financing activities during the Reporting Period amounted to RMB489 million, representing a year-on-year increase of RMB2,296 million, mainly due to the increase in net borrowings during the Reporting Period.

(ii) Explanation for material change in profit due to non-principal business

On 17 November 2017, GSI, a subsidiary of the Company, and Guangzhou Shipyard Shipping entered into the Agreement in relation to Compensation for Relocation from the Liwan Plant Land of GSI, pursuant to which Guangzhou Shipyard Shipping agreed to pay compensation of RMB826,965,300 to GSI. The transaction contributed profit from non-principal business of RMB826,965,300 to the Company during the Reporting Period. For details of the transaction, please refer to the announcement of CSSC Offshore & Marine Engineering (Group) Company Limited dated 18 November 2017 on the connected transaction in respect of signing of the Agreement in relation to Compensation for Relocation from the Liwan Plant Land of GSI and the announcement dated 27 December 2017 in relation to the second extraordinary general meeting of 2017 of COMEC 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

On 31 August 2017, the Company completed the transfer of its 51% equity interest in GSI Yangzhou to CSSC, the controlling shareholder of the Company, at a consideration of RMB741,158,500. The transaction brought investment income of RMB74,229,300 to the Group for the Reporting Period. For details of the transaction, please refer to the announcements dated 14 July 2017 in relation to the connected transaction in respect of the transfer by COMEC of its 51% equity interest in GSI Yangzhou Co., Ltd. and the announcement dated 29 August 2017 in relation to the first extraordinary general meeting of 2017 of COMEC published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

(iii) 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
Financial assets at fair value through profit or loss	6,602,255.91	0.01	-	-	-	Foreign exchange forward contracts/ swap contracts were entered into during the year, and their fair values were determined based on agreed exchange rates/forward exchange rates
Interest receivable	46,434,534.12	0.11	138,243,843.26	0.30	-66.41	Decrease in interest from fixed deposits and recovery of interest through settlement of certain wealth management products
Other receivables	129,376,288.79	0.29	72,448,156.82	0.16	78.58	Increase in performance bonds and export tax rebates receivable
Long-term equity investments	738,018,660.57	1.67	68,961,676.66	0.15	970.19	Disposal of 51% equity interest in GSI Yangzhou during the year, and the remaining equity interest was subsequently accounted for using equity method
Disposal of fixed assets	31,132.31	0.00	2,572,359.05	0.01	-98.79	Reclassification of relocation expenses to be written off to "Other non-current assets"
Other non-current assets	199,020,072.23	0.45	1,001,361,563.30	2.16	-80.13	Reclassification of wealth management products due within one year to "Other non-current assets"
Short-term borrowings	2,675,414,975.00	6.06	445,636,500.54	0.96	500.36	Short-term borrowings newly made during the year
Financial liabilities at fair value through profit or loss	3,366,294.31	0.01	-	-	-	Foreign exchange forward contracts/ swap contracts were entered into during the year, and their fair values were determined based on agreed exchange rates/forward exchange rates
Employee benefits payable	32,198,622.63	0.07	59,354,143.31	0.13	-45.75	Decrease in outstanding balance of salaries as at the end of the year
Taxes payable	72,479,741.43	0.16	127,111,097.76	0.27	-42.98	Decrease in outstanding balance of enterprise income tax, value-added tax and individual income tax as at the end of the year
Dividends payable	383,540.92	0.00	3,806,004.54	0.01	-89.92	Dividend payable to minority interests as at the end of last year was paid during the year
Other payables	234,291,737.22	0.53	358,190,436.06	0.77	-34.59	Decrease in deposits
Other current liabilities	5,544,483,602.13	12.56	8,814,232,495.28	19.05	-37.10	Decrease in project settlement payment under building contracts
Special payables	99,370,000.00	0.23	1,390,339,744.58	3.00	-92.85	The state grants for completed and accepted projects of Huangpu Wenchong and GSI, both subsidiaries of the Company, were transferred to capital reserve of CSSC, which were included in "minority interests" in these financial statements

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
Deferred income	31,895,704.27	0.07	67,514,328.51	0.15	-52.76	Transfer of government grants to current profit or loss based on project progress
Deferred tax liabilities	1,412,563.62	0.00	499,094.19	0.00	183.03	Increase in deferred income tax liabilities recognised arising from changes in fair values of financial assets at fair value through profit or loss
Special reserve	2,010,677.96	0.00	929,231.60	0.00	116.38	Increase in the balance of provision for production safety fee made during the year
Minority interests	1,531,599,209.58	3.47	62,996,345.75	0.14	2,331.25	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/letter of credit amounting to RMB574,729,026.75 in total. The restrictions on ownership will be lifted after the relevant contracts have been fulfilled.

(iv) Analysis of investments

1. General analysis of external equity investments

The Company is an investment holding company, and details of its external investments are set out in the notes to the financial statements. As at the end of the Reporting Period, the balance of the Company's long-term equity investments amounted to RMB738,018,700, representing an increase of RMB669,057,000 from last year, mainly due to the transfer by the Company of its 51% equity interest in GSI Yangzhou, a then wholly-owned subsidiary of the Company, to CSSC, the controlling shareholder of the Company, in accordance with an agreement during the Reporting Period, which was accounted for using the equity method, resulting in the increase in long-term equity investments of RMB641,499,600.

(1) Material equity investments

On 24 May 2017, the Group established Nanfang Environment Co., Ltd., with a registered capital of RMB500 million and registered office located at Yuexiu District, Guangzhou, Guangdong Province. Its scope of business mainly covers cleaning, collection and transport services for municipal solid waste; recycling and wholesale of regenerated materials; air pollution control, sewage treatment and related regeneration and utilisation. The Group subscribed RMB300 million and held its 60% equity interest.

On 10 July 2017, Guangzhou Wenchuan Heavy Industrial Co., Ltd., a subsidiary of Huangpu Wenchong, established CSSC (Guangzhou) New Energy Co., Ltd. with a registered capital of RMB18 million and registered office located at Nansha District, Guangzhou, Guangdong Province. Its scope of business mainly covers gas operation (excluding storage and transportation and not serving end users), sale of fuel oil (excluding refined oil). Guangzhou Wenchuan Heavy Industrial Co., Ltd. contributed capital of RMB7.2 million and held its 40% equity interest.

In August 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.

In August 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.

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(2) Financial assets measured at fair value

During the Reporting Period, the Group's financial assets measured at fair value include financial assets/liabilities at fair value through profit or loss such as forward foreign exchange contracts and foreign option trading portfolio contracts, as well as available-for-sale equity instruments measured at fair value. The breakdown of the financial assets at fair value through profit or loss is as follows:

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the year
1. Financial assets at fair value through profit or loss		6,602,255.91	6,602,255.91	19,880,855.91
2. Available-for-sale financial assets	3,151,874.04	10,317,771.48	7,165,897.44	150,980.73
3. Financial liabilities at fair value through profit or loss		-3,366,294.31	-3,366,294.31	-8,430,416.31
Total	3,151,874.04	13,553,733.08	10,401,859.04	11,601,420.33

Description:

①The Group attaches great importance to the research of exchange risk management policies and strategies. To prevent exchange rate risks, the Group entered into forward exchange contracts (forward exchange settlement), foreign exchange swaps and foreign exchange options trading portfolio contracts. As at the end of the Reporting Period, the Group had a total of 5 outstanding forward settlement foreign exchange contracts with total amount of US\$50 million and latest settlement date of 27 December 2019, and recognised gains on change in fair value of RMB5,627,500 as at the end of the year; the Group had a total of 10 outstanding exchange swaps with total amount of US\$95.2 million and latest settlement date of 12 October 2018, and recognised gain on change in fair value of RMB-2,391,600 as at the end of the year; the Group had a total of 17 outstanding option portfolios with total amount of US\$384 million and latest settlement date of 28 December 2018, which are expected not to be exercised following tests and no gain on change of fair value was recognised as at the end of the year.

②Available-for-sale equity instruments measured at fair value as at the end of the Reporting Period are as follows: GSI, a subsidiary of the Company, acquired, through debt reorganisation, shares of Chongqing Steel (Stock code: 601005) which had an initial investment cost of RMB6,925,500 and a fair value as at the end of the period of RMB6,925,500. Wenchong Shipyard, a subsidiary of the Company, held shares of the Bank of Communications (Stock code: 601328) which had an initial investment cost of RMB1,155,500 and a fair value as at the end of the period of RMB3,392,200.

During the Reporting Period, the Group held financial assets measured at fair value, and their impact on profit for the period (including gain or loss on change of fair value and investment income) amounted to RMB11,601,400.

(v) 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). The Group completed the equity transfer on 31 August 2017.

(vi) Analysis of major subsidiaries and associates

1. Analysis of direct 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
Guangzhou Shipyard International Company Limited	Technical design, manufacture, repair of ships, electrical machinery, general machinery, steel structure	653,936	100	2,005,416	586,061	-3,212
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	197,380	100	1,929,022	455,989	2,216
Nanfang Environment Co., Ltd.	Cleaning, collection and transport services for municipal solid waste; recycling and wholesale of regenerated materials; air pollution treatment, sewage treatment and related regeneration and utilisation	50,000	60	4,808	4,724	-276
CSSC Chengxi Yangzhou Shipbuilding Company Limited	Manufacturing of ships, ship equipment, metal structures and electric motors	130,284	49	132,007	130,812	506

Description:

GSI and Huangpu Wenchong, both subsidiaries of the Group, implemented market-based debt-to-equity conversion and capital increase by cash through introducing new shareholders. The business change of GSI and Huangpu Wenchong was completed on 24 February 2018. Following capital increase, GSI had a registered capital of RMB8,556,970,805 and Huangpu Wenchong had a registered capital of RMB2,859,897,696. For details, please refer to the announcements dated 25 January 2018 on the increase of capital of certain subsidiaries of CSSC Offshore & Marine Engineering (Group) Company Limited and the announcement dated 12 February 2018 on the results of the first extraordinary meeting of 2018 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

2. Indirect subsidiaries

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
Guangdong GSI Elevator Co., Ltd.	Production and sale of elevators	11,000	100	10,279	6,449	40
Zhongsan GSI Marine Engineering Company Limited	Designing, processing, installing, manufacturing and selling: ships and auxiliaries (fishing use excluded), metal structures and components, general machines, cast and forged components, fiberglass, marine cables, marine pipelines, marine tools, furniture, mechanical equipment, and marine engineering equipment, import and export of goods and technology.	70,000	100	85,304	40,269	-877
Guangzhou Guangji Shipbuilding Human Resources Service Company Limited	Providing labor services, as well as installation, welding, derusting, and painting of ships	500	100	5,457	767	80
Guangzhou Hongfan Technology Co., Ltd.	Development of computer software, system integration, and hardware sales, etc.	500	51	3,663	3,522	98
Guangzhou Xingshun Marine Services Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	200	100	3,800	227	27
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	Designing, processing, installing and selling: auxiliary machines of ships, large-scale complete-set mechanical and electrical equipment, wind power generation equipment, shearing press, shield machine, hydraulic machinery, injection molding machine, and metal structure	18,861	100	23,496	12,204	80
Guangzhou United Steel Structures Limited	Large steel structures	US\$8.85 million	100	30,412	15,327	985
Glory Group Development Limited	Trading	HK\$30 million	100	14,612	9,738	2,362
Forkwang Development Limited	General trading	HK\$200,000	80	13,374	8,316	4,853
Guangzhou Hongfan Hotel Co., Ltd.	Tourism and catering	11,940	100	14,143	12,053	149
Guangzhou Longxue Pipe Co., Ltd.	Ferrous metal smelting and rolling industry	7,000	42.86	10,002	5,614	489
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; nonmetallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	52,018	100	485,591	56,174	-2,747
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Metal shipbuilding; nonmetallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	6,800	100	43,975	6,774	117
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	11,000	100	52,752	10,273	381
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	80.50	499	317	39
Guangzhou Longxue Properties Co., Ltd.	Property industry	150	66.67	25	21	2
Guangzhou Xinhang Human Resources Service Co., Ltd.	Human resources development and management consulting; professional intermediary services; personnel leasing; personnel training; personnel recommendation; labor dispatch services;	200	75	1,041	360	10
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	1,241	307	1
Wah Shun International Marine Limited	Ship sales and leasing	HK\$1,000,000	99	16,454	83	-1
Wah Loong International Marine Limited	Ship sales and leasing	HK\$1,000,000	99	83	83	0
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	625	511	7
CSSC (Guangzhou) New Energy Co., Ltd.	Gas operation; fuel oil sales; white oil sales; petroleum products wholesale; sale of asphalt and related products; import and export of goods and technology	1,800	40	254	243	-117

SECTION IV REPORT OF THE BOARD

3. Subsidiaries with net profit accounting for over 10% of net profit of the Group

Unit: RMB in ten thousand Currency: RMB

Name of entity	Income from principal business	Profit from principal business	Net profit
CSSC Huangpu Wenchong Shipbuilding Company Limited	1,058,498	63,929	2,216
Guangzhou Shipyard International Company Limited	893,314	21,512	-3,212
Guangzhou Wenchong Shipyard Co., Ltd.	231,546	21,441	-2,747
Guangzhou United Steel Structures Limited	55,323	4,227	985
Fonkwang Development Limited	14,719	6,858	4,853
Glory Group Development Limited	46	46	2,362

4. Subsidiaries the operational results of which experienced wide fluctuations and were material to the operational results of the Group during the Reporting Period

Unit: RMB in ten thousand Currency: RMB

Name of entity	Net profit for current period	Net profit for corresponding period of last year	Change (%)
CSSC Huangpu Wenchong Shipbuilding Company Limited	2,216	21,380	-89.64
Guangzhou Shipyard International Company Limited	-3,212	-4,649	Not applicable
Guangzhou Wenchong Shipyard Co., Ltd.	-2,747	-12,547	Not applicable
Glory Group Development Limited	2,362	864	173.41

Description:

- (1) During the Reporting Period, net profit of Huangpu Wenchong recorded a year-on-year decrease of 89.64%, mainly due to the continuous downturn of the shipbuilding market, low prices of shipbuilding, in particular, the fluctuation of prices of offshore engineering at low levels, as well as the increase in exchange loss arising from the changes in exchange rates.
- (2) During the Reporting Period, GSI recorded a year-on-year decrease in loss of RMB14.37 million, mainly due to receipt of compensation for relocation of RMB826 million, downturn of the shipbuilding market, plant relocation and change in exchange rate. The gross profit margin of its principal business declined as a result.
- (3) During the Reporting Period, Wenchong Shipyard recorded a year-on-year decrease in loss of RMB98 million, mainly due to the commencement of sale of products with higher gross profit margin and the year-on-year decrease in provision for impairment made for ships under construction.
- (4) During the Reporting Period, Glory Group Development Limited recorded a 173.41% year-on-year increase in net profit, mainly due to the dividends received from Fonkwang Development Limited, its subsidiary.

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

(i) Industry structure and trends

1. New shipbuilding market is expected to remain active

Looking forward into 2018, the global economic development tends to stabilize, and the shipping market may remain stable and improve. The demand in the international shipping market is expected to slightly increase. With continuous elimination of old and outdated ships, excessive capacity may be further absorbed, which will support the recovery of the shipbuilding market to a certain degree. As a result of "production capacity reduction" efforts and the increase in raw material cost, the price of new ships may slightly increase. From product structure, the transaction volume of large ships will decrease, and the transaction volume of certain middle- and small-sized ships will remain active. The market of ships with high added values, such as luxury liners, vehicle transportation ships, Ro-ro passenger ships and LNG ships. For offshore engineering products, with slow recovery of global oil and gas development, new orders will be concentrated in the areas such as floating production platform and offshore wind farm construction and maintenance equipment, and affordable and efficient equipment will be the key to obtain competitive strengths.

2. *The cutting of excessive capacity in the shipbuilding industry will continue*

Despite the improvement in the new ship market in the short term, the initial results of the “production capacity reduction” measures and the less excessive capacity, the issue of structural overcapacity has not been substantially resolved, and the demand for new ships still cannot meet the growing unutilised capacity. With the increase in comprehensive shipbuilding cost, shipbuilding enterprises still face severe challenges to survival and development.

3. *Inevitable transformation and upgrading of shipbuilding enterprises*

Under the guidance of a series of policies including the Action Plan for the Acceleration of Structural Adjustment, Transformation and Upgrading of the Ship Industry (2016-2020) and the Action Plan for the Sustainable Healthy Development of the Marine Engineering Equipment Manufacturing Industry (2017-2020), the consolidation in the ship industry will be further accelerated. Social resources will be guided to high-quality shipbuilding enterprises, forcing them to accelerate innovation, strengthen the guiding role of innovations, transform and upgrade to high-end, energy-saving and environmentally-friendly enterprises and grow from bigger to stronger. A new round of technology and industry revolution with the in-depth integration of information technology and advanced manufacturing as an important feature is also breeding, which will bring new opportunities for the information and smart development of the ship industry.

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

The Group is committed to becoming a leading enterprise in the global marine and heavy equipment market with leading technologies and prominent services and a building and supporting facility for Chinese marine defence equipment.

In the face of the new normal development status of the ship market, the Group, by adhering to its corporate values of “mission, courage, passion and innovation”, will fully implement the major strategies of the “Belt and Road Initiative”, integrated development of military and building a strong manufacturing power and marine power. With “optimising structure, deepening reform and innovative development” as the main theme, the Group will further make its core shipbuilding and maritime activities stronger, better and bigger while vigorously developing emerging industries and accelerating transformation and upgrading to realize high-quality development.

The Company is committed to developing maritime equipment manufacturing and strives to improve its military product business in terms of strategic planning, technical innovations, military product management, full life support and military culture. It will strengthen the research of marine business, keep a close eye on market demand, and accelerate the pace of innovation. It will conduct research of advanced technologies, further strengthen its advantageous products, focus on the areas including smart ships, polar module carriers, luxury Ro/Ro passenger ships, special ships and overseas wind farms, and continue to facilitate the transformation and upgrading of its product mix. It will accelerate the in-depth integration of military products and civil products in innovative elements including technology, talents and fund to realize the coordinated and innovative development of military and civil products. It will deeply facilitate the “moderate, limited and related diversification” by actively establishing presence in emerging industries, accelerating the development and cultivation of high-quality resources, and strive to achieve new growth, in order to provide new driving forces for the Company to withstand market risks and improve financial performance. In the meantime, the Group will comprehensively improve its management in terms of the integration of military and civil products, coordination of resource allocation, staff structure optimisation and enhanced cost management and control, promote the improvement in quality and performance, and further expand its room for profit.

(iii) **Business plan**

In 2017, the Group recorded operating income of RMB22,313 million, representing 99.47% of annual target; and secured orders with contract value of RMB13,554 million, representing 58.68% of annual target, mainly due to the decrease in the amount of military product orders secured.

In 2018, the Group plans to realize operating income of RMB21,531 million and secure orders with contract value of RMB23,322 million. In the meantime, it will continue to deepen reform, strengthen innovations, and actively cope with challenges to ensure steady growth of production and operation. It will continue to advance diversified development, accelerate expansion into emerging industries, and strive to improve quality and performance through cost control, optimised management and resource consolidation and other means in order to realize the business plan for 2018.

The business objectives above do not represent the profit forecast of the Company for 2018, nor do they constitute undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investing risks.

(iv) **Potential risks**

1. *Financial risks*

- (1) Exchange rate risk: Due to domestic and overseas market factors, the exchange rate of Renminbi against United States dollars appreciated by 6% in 2017. The trends of the exchange rate of Renminbi against United States dollars were broadly classified into three stages, being slight appreciation, substantial appreciation and two-way fluctuations, and the flexibility of the exchange rate was significantly enhanced. The United States dollars index declined by 10% in the year. It is expected that the Renminbi exchange rate will continue its trend of two-way fluctuations and remain substantially stable at a balanced level in 2018. As the Group is an export enterprise with foreign currency orders on hand mostly denominated in United States dollars, the Company is subject to exchange rate risk. The Group will continue to adopt effective measures from the source of export shipbuilding orders in view of the changes in market exchange rate and prevent exchange risk through forward foreign settlement or options or structured product portfolios.

- (2) Interest rate risk: The Group's interest rate risk mainly comes from the uncertainty caused by changes in market interest rates. Floating interest rate may expose the Group to interest rate risk of cash flow, while fixed interest rate may expose the Group to interest rate risk of fair value. In view of its own current assets and cash flows, the Group will select borrowings with different maturities and currencies and strive to obtain more long-term financial support in Renminbi. For foreign currency borrowings, the Group will choose reasonable fixed rates and lock up the funds for repayment within appropriate period.

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

2. **Customer risk**

As a result of global economy and shipping trade, certain ship owners may experience difficulties in financing and financial position, resulting in default in shipbuilding payment, deferred recognition of delivery and amendment of contracts, which subject the Company's orders on hand to default risk.

The Group will strengthen its investigation into the creditworthiness of ship owners and project process management, increase ship owners' default cost and strengthen the early warning and monitoring of contractual performance. It will also develop innovative business models and assist ship owners in obtaining financing so as to successfully deliver ships to ship owners.

3. **Cost risk**

In view of the development of the shipbuilding and shipping market, the Group continued to optimise its product mix. With the increase in the percentage of hi-tech products of the Group and the increase in the number of first-made ship models, the Group has a growing demand for advanced technicians and skilled workers, which may cause the cost of the Company to rise. In addition, the Group's cost is subject to the prices of raw materials due to its production on an order basis, and the Company is subject to cost risk.

The Group will prevent cost risk from the source of production through improved management, cost control with quality and efficiency to boost performance. It will keep materials cost under control, closely monitor the price trends of its materials and make procurement arrangements in a timely manner.

(v) **Others**

1. **Management contracts**

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2017.

2. **Environmental policies and performance**

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

3. **Compliance with laws and regulations**

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

4. **Relationship with stakeholders**

The Company has always adhered to the concept that with great virtue one can take charge of the world. It actively delivers returns to shareholders, practices honesty towards customers, cares for employees and contributes to the community. As such, while accelerating its own development, the Company also actively participates in public service activities and contributes to the community. It attaches great importance to the harmonious and win-win development of the Group, its employees and the community.

By order of the Board
Han Guangde
Chairman

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

(i) Formulation, implementation or adjustment of cash dividend policy

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

As considered and passed at the third meeting of the ninth session of the Board of the Company, the proposal for profit distribution of the Company for 2017 is as follows: In accordance with the section 3(4) of article 215 of the Articles of Association of CSSC Offshore & Marine Engineering (Group) Company Limited relating to the profit distribution policy: Before distribution of cash dividends, the gearing ratio of the Company shall not exceed 70%. The Company's gearing ratio as at 31 December 2017 was 72.95%, remaining at a high level. In addition, given that the Company has experienced a rapid increase in the number of orders secured in 2018 and has strong demand for production and working capital, the Company does not distribute dividends in 2017 and that the Company does not convert capital reserve into share capital. This profit distribution proposal is subject to the approval at the 2017 annual general meeting.

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

Unit: Yuan Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (tax inclusive)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to ordinary shareholders of listed company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to ordinary shareholders of the listed companies in the consolidated financial statement (%)
2017	0	0	0	0	87,796,591.29	0
2016	0	0.16	0	22,616,102.05	71,224,250.43	31.75
2015	0	0.30	0	42,405,191.34	98,320,709.38	43.13

(iii) If the Company records profits and the parent company records a positive undistributed profit during the Reporting Period but there is no resolution for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in details

If the Company records profits and the parent company records a positive undistributed profit during the Reporting Period but there is no resolution for cash dividend, state the reason

Uses and plans for undistributed profit

In accordance with the sub-section 4, section (3) of article 215 of the Articles of Association relating to the profit distribution policy: Before distribution of cash dividends, the gearing ratio of the Company shall not exceed 70%. The Company's gearing ratio as at 31 December 2017 was 72.95%, remaining at a high level. In addition, given that the Company has experienced a rapid increase in the number of orders secured in 2018 and has strong demand for production and working capital, the Company will not distribute dividends for 2017, nor will it convert any capital reserve into share capital.

The undistributed profit for the year will be mainly utilised towards replenishment of working capital of the Company.

II. 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
	Solving the issues concerning competition in the same industry	CSSC	1. CSSC will, within 5 years upon the completion of this re-organization, be restructured and integrated through asset re-organization, equity merger and acquisition, business combination that comply with laws, regulations and to the benefits of listed companies and the shareholders, to eliminate the competition in the same industry. 2. CSSC will not, and will prevent ad avoid that CSSC controlled enterprises (excluding COMEC and the subsidiaries under its control). 3. If CSSC violates the commitments above, resulting in any damage to the interests of COMEC, CSSC agrees to assume the liabilities for all economic compensations. 4. The commitments shall be governed by the laws of the PRC, and any disputes arising from the execution, validity, explanation and performance shall be governed by the laws of the PRC.	8 April 2015 to 9 April 2020	Yes	Yes
	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
	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
	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

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	Solving the defects on titles to lands	CSSC	<p>Arrangements for supporting the relocation and upgrading of Huangpu Wenchong and Wenchong Shipyard. Pursuant to overall planning of Guangzhou Municipal Government, a land parcel of Huangpu Wenchong at Changzhou Street ("Changzhou Plant") and a land parcel located at Wenchong Plant owned by Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard"), a subsidiary of Huangpu Wenchong, are no longer suitable for 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 Co., Ltd. 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 Co., Ltd. under CSSC, will be leased to Huangpu Wenchong and Wenchong Shipyard for continued use, and the rent will be paid based on existing land amortisation, property depreciation and relevant taxes and expenses. In addition, CSSC will spare no efforts to facilitate Guangzhou Municipal Government in finalising the land for new plants and complete the relocation from Changzhou Plant and Wenchong Plant as soon as practicable. 2. Given there are certain granted land and properties without ownership certificates in Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, if such land or properties cannot continued to be utilised due to these arrangements, causing adverse impact to the production and operation of Huangpu Wenchong and Wenchong Shipyard, CSSC will actively coordinate in solving the issue and fully indemnify Huangpu Wenchong and Wenchong Shipyard in cash against any economic losses incurred. 3. CSSC will actively assist Huangpu Wenchong and Wenchong Shipyard in future communication with Guangzhou Municipal Government in compensation for the relocation.</p>	Made on 31 October 2014	No	Yes
	Others	CSSC	<p>1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to removal, transportation and installation of some of the assets to be demolished due to relocation shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard; 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, the Company will make full supplements in cash within 90 days after relevant government compensation is in place.</p>	Made on 3 March 2015	No	Yes

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

SECTION V SIGNIFICANT EVENTS

III. ANALYSIS AND EXPLANATION OF THE COMPANY ON THE REASONS FOR AND IMPACT OF THE CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 – Available-for-sale 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 – Available-for-sale 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 changes in accounting policies on the financial statements of the Group for the year 2017 were an increase in the “Other income” item of RMB38,794,966.24, a decrease in the “Administrative expenses” item of RMB95,072,303.40, a decrease in the “Selling expense” item of RMB87,470,000.00, a decrease in the “Finance costs” item of RMB45,070,000.00, and a decrease in the “Non-operating income” item of RMB266,407,269.64.

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: Yuan Currency: RMB

Currently appointed

Name of domestic and overseas accounting firm	ShineWing
Compensation of domestic and overseas accounting firm	2,020,000
Number of years of audit by domestic and overseas accounting firm	1 year

	Name	Compensation
Accounting firm for internal control audit	ShineWing	400,000

Description of appointment and dismissal of accounting firms

- (i) It was considered and passed at the first extraordinary general meeting of 2017 of the Company that, ShineWing was appointed as the Company's domestic and international financial report auditor. As at 31 December 2017, ShineWing had provided audit services for the Company for 7 years successively. The financial statements in the Company's annual report 2017 were prepared according to the Accounting Standards for Business Enterprises of the PRC, and audited by ShineWing; and for this, the Company paid RMB2.02 million (inclusive of tax) to the auditor as remuneration for its annual audit work. The signing CPAs of the audit report in the Company's annual report 2017 were Mr. Chen Gang and Mr. Song Yong. ShineWing will retire upon expiry of term and offer themselves for re-appointment.
- (ii) It was considered and passed at the 38th meeting of the eighth session of the Board of Directors that, the Company re-appointed ShineWing as the Company's internal control auditor in 2017. The Company's annual internal control self-evaluation report for 2017 has been audited by ShineWing, and for this, the Company has paid RMB400,000 (inclusive of tax) to it as remuneration for its annual audit work.

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

V. 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

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 ("Jiangsu Shenghua")	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 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 - (I) Significant Litigations and Arbitrations" in the annual report of the Company for the year 2011 for details.	1,934	No	After the case was closed through court mediation, Jiangsu Shenghua failed to perform the mediation agreement, and COMEC applied on 3 March 2012 to the court for enforcement.	Jiangsu Shenghua Shipbuilding Company Limited was declared bankrupt by Zhenjiang Intermediate Court on 27 October 2014.	The second meeting of creditors was held on 27 April 2017 and a ruling made by Zhenjiang Intermediate Court was received on 17 May 2017 which approved the proposal for bankruptcy and realization of properties of Jiangsu Shenghua. The existing properties of Jiangsu Shenghua was valued at RMB70,387,200 in total, and its ships under construction were still being valued. For the next step, the property manager will realise and auction these assets as a whole.

(ii) Other explanations

On 18 November 2013, Huangpu Wenchong, a wholly-owned subsidiary of the Company ("KCM"), 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.

As there were disputes in relation to the delivery of two ships being H3067 and H3068, Huangpu Wenchong filed arbitrations with London Maritime Arbitrators Association on 29 January 2016 and 14 June 2016 respectively and the owners of these ships also issued counter-claims with value of approximately US\$19 million and interest. As at 31 December 2017, the cases were still in the process of trial. For details of the case, please refer to the section headed "Significant Events" in the third quarterly report 2016 of the Company.

VI. MATERIAL CONNECTED TRANSACTIONS

(i) Connected transactions related to daily operation

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

The Company's continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange consisted of routine connected transactions, particulars of these transactions have been disclosed in the notes to the financial statements in accordance with Rule 14 A.1.

The Company's financial report auditor and Directors (including four independent non-executive Directors) have reviewed the routine connected transactions and confirm that such transactions are conducted in the Company's ordinary course of business on normal commercial terms or in accordance with related contractual provisions; the transaction terms are fair and reasonable, and in the shareholders' overall benefits; and the transactions did not exceed the cap amount for year 2017, as approved in the shareholders' meeting.

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

In accordance with Chapter 14A of the Listing Rules, certain related party transactions set out in note XI to the financial statements (prepared under the Accounting Standards for Business Enterprises in the PRC) also constitute continuing connected transactions and the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of such continuing related party transactions.

SECTION V SIGNIFICANT EVENTS

Connected transactions related to daily operation for 2017 (from January to December)

Unit: RMB in ten thousand

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
Products and services provided by the Group to the CSSC Group				
Provision of electrical and mechanical engineering equipment, and metallic accessories	346,410.00	96,197.82	4.46	Market price
Supply of utilities	8,301.00	4,306.73	95.37	Cost plus a 20-25% management fee or on terms no less favourable to the Group than terms available from independent third parties
Labor supply and technical services	19,715.00	6,410.27	9.01	On terms no less favourable to the Group than terms available from independent third parties
Products, leasing services and labour services provided by the CSSC Group to the Group				
Provision of electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	1,100,204.00	499,783.30	37.72	Market price or on terms no less favourable to the Group than terms available from independent third parties
Leasing, labour supply and technical services	75,788.00	34,485.32	4.53	On terms no less favourable to the Group than terms available from independent third parties or market price
Financial services provided by the CSSC Group				
Deposits (amount)	780,000.00	586,994.62	48.89	Benchmark deposit interest rate set by the People's Bank of China
Interest on deposits	17,550.00	4,974.86	28.79	
Loans (amount)	960,000.00	471,240.00	30.80	No more than benchmark loan interest rate set by the People's Bank of China
Interest on loans	47,040.00	17,074.92	43.63	
Others and bank facilities (credit)	800,000.00	358,637.83	32.72	On terms no less favourable to the Group than terms available from independent third parties
Others and bank facilities (interest amount)	1,220.00	186.37	17.60	On terms no less favourable to the Group than terms available from independent third parties
Forward exchange settlement (amount)	850,000.00	28,489.11	3.35	On terms no less favourable to the Group than terms available from independent third parties
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
Entrusted assets management services (interest)	25,000.00	6,169.32	100.00	
Guarantees				
Maximum guarantee amount provided by the Company for the CSSC Group and its members	-	-	-	None
Expenses incurred in relation to the guarantee amount provided by the Company for the CSSC Group and its members	-	-	-	
Maximum guarantee amount provided by the CSSC Group and its members for the Company	700,000.00	-	-	Guarantee fee of no more than 0.6%
Expenses incurred in relation to the guarantee amount provided by the CSSC Group and its members for the Company	4,200.00	-	-	
Ship sales agency services provided by the CSSC Group				
Ship sales agency	9,700.00	3,654.62	27.61	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
Materials purchase agency services provided by the CSSC Group				
Materials purchase agency	1,600.00	371.47	100.00	1-2% of the contract price

(ii) Connected transactions in relation to the acquisition or disposal of assets or equity interests***Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation*****Summary of matter****Index for details**

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. The disposal will enable GSI to improve production efficiency, generate internal synergies and higher returns of investment, as GSI Yangzhou may benefit from the arrangement for centralised financing and order processing of CSSC. Upon completion of the disposal, GSI Yangzhou is no longer a subsidiary of the Company. The Group completed the equity transfer on 31 August 2017. GSI Yangzhou is held as to 49% and 51% by the Company and CSSC, respectively.

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).

On 17 November 2017, GSI and Guangzhou Shipyard Shipping entered into a relocation compensation agreement, pursuant to which Guangzhou Shipyard Shipping agreed to pay RMB826,965,300 to GSI as the compensation for the liaising work to be conducted by GSI set out in the relocation compensation agreement. Guangzhou Shipyard Shipping is wholly-owned by Shanghai Lingxiang, which is in turn wholly owned by Shanghai Ruibo Real Property Co., Ltd.. Shanghai Ruibo Real Property Co., Ltd. is owned as to 50% and 50% by CITIC Pacific Limited and CSSC. As such, under Rule 14A.07(4) of the Listing Rules, Guangzhou Shipyard Shipping is a connected person of the Company and the transaction contemplated the relocation compensation agreement also constitutes a connected transaction of the Company.

For details, please refer to the announcement of COMEC dated 17 November 2017 on the connected transaction in respect of signing of the Agreement in relation to Compensation for Relocation from the Liwan Plant Land of GSI by Guangzhou Shipyard International Company Limited and the announcement dated 27 December 2017 in relation to the resolution passed at the second extraordinary general 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).

On 26 September 2017, CSSC notified the Company that it intended to transfer its 25% equity interest in GSI Yangzhou to CSSC Holdings at a consideration of RMB364,073,800 and transfer its 26% equity interest in GSI Yangzhou to Chengxi Shipyard at a consideration of RMB378,636,800. At the 42nd meeting of the eighth session of the Board and the second extraordinary general meeting of 2017 of the Company held on 10 November 2017 and 27 December 2017, respectively, the resolution on the connected transaction in relation to non-exercise of the right of first refusal to acquire the 51% equity interest in GSI Yangzhou Co., Ltd. was considered and passed. As a result, the Company did not exercise its right of first refusal to acquire the 51% equity interest in GSI Yangzhou Co., Ltd..

For details, please refer to the announcements dated 10 November 2017 of the Company in relation to the connected transaction in relation to non-exercise of the right of first refusal to acquire the 51% equity interest in GSI Yangzhou Co., Ltd. and the announcement of the Company dated 27 December 2017 in relation to the resolution passed at the second extraordinary general 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) Related creditor's right and debt transactions

There were no related creditor's right and debt transactions for the Company in 2017.

SECTION V SIGNIFICANT EVENTS

(iv) Others

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 CSSC Liner Technology Development Co., Ltd.. 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.

VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Leasing

Unit: RMB in ten thousand Currency: RMB

Lessor Name	Lessee Name	Leased assets	Amount of assets leased	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 Co., Ltd.	Huangpu Wenchong	Land, buildings and structures	-	2014.5.1	The date on which the relocation is completed and formal production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Ship Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	-	2014.5.1	The date on which the relocation is completed and formal production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Shipyard Industrial	GSI	Land, buildings and structures	-	2014.10.1	2017.12.31	-	-	-	Yes	Other
Guangzhou Shipyard Shipping	GSI	Land, buildings and structures	-	2015.12.1	2017.12.31	-	-	-	Yes	Other
GSI	Guangzhou Wenchong Dockyard Co., Ltd.	Land, buildings and structures	1,433.17	2015.9.30	Formal property lease contract to be re-entered into upon project acceptance and settlement	1,433.17	Taking into full account prices of ancillary assets adjacent to the location of the lessor, depreciation status of assets, and reasonable cost and profit margin for the lessor	Utilisation of ancillary assets of the Company was improved to cover amortisation cost	Yes	Sister company of the Group

Description of leases

- (1) In 2014, Guangzhou Ship Industrial Company (“Guangzhou Company”), Huangpu Wenchong and Guangzhou Wenchong Shipyard Co., Ltd (“Wenchong Shipyard”) entered into a lease agreement in relation to land use right, pursuant to which Guangzhou Company shall lease the land use right owned by it in relation to the land at the Changzhou Plant and part of the land at the Wenchong Plant to Huangpu Wenchong and Wenchong Shipyard for use in operation. The rent for the land use right shall be determined based on the principle of asset depreciation, amortisation and taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use right commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong and Wenchong Shipyard are completed and commence formal production at its new plant.
- (2) On 27 September 2014, the Company and Guangzhou Shipyard Industrial Co., Ltd. (“Guangzhou Shipyard Industrial”) entered into a lease agreement, pursuant to which Guangzhou Shipyard Shipping shall lease three parcels of land currently for industrial use located at Heliwei, Fangcun Main Road, Liwan District, Guangzhou, 29 Donglang Market Street, Fangcun Main Road, Liwan District, Guangzhou and south to Heliwei, Fangcun Main Road, Liwan District, Guangzhou, with a total site area of 108,939 sq.m., and buildings and structures erected thereon to the Company for a term of 39 months commencing on 1 October 2014. According to the relevant agreements, the aforesaid Lease Agreement continued to be performed. For details, please refer to the announcement published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (comec.cssc.net.cn) on 12 December 2014.
- (3) On 9 November 2015, GSI and Guangzhou Shipyard Shipping Co., Ltd. (“Guangzhou Shipyard Shipping”) entered into the Lease Agreement, pursuant to which Guangzhou Shipyard Shipping shall lease a parcel of land for industrial use for the technical centre building located at 40 South Fangcun Main Road, Liwan District, Guangzhou City with a total site area of 393,793 sq.m. and buildings and structures erected thereon to GSI for a term of 25 months commencing on 1 December 2015. According to the relevant agreements, the aforesaid Lease Agreement continued to be performed. For details, please refer to the announcement published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (comec.cssc.net.cn) on 16 December 2015.
- (4) On 18 December 2015, GSI and Guangzhou Wenchong Dockyard Co., Ltd. (“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), pursuant to which the new worker’s village located in Longxue Island, Nansha District, Guangzhou was leased to Wenchong Dockyard as staff quarter. It was agreed that the rent shall be settled on a quarterly basis and the lease shall take effect retrospectively on 30 September 2015. Under the aforesaid framework agreement and based on the actual use of the staff quarter (including utilities expenses), the rent for such staff quarter for 2017 was approximately RMB14,331,700 in total.

SECTION V SIGNIFICANT EVENTS

(ii) Guarantees

Unit: Yuan Currency: RMB

Guarantees provided by the Company and its subsidiaries for subsidiaries

Total amount of guarantees provided for its subsidiaries during the Reporting Period	351,505,750.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	1,351,505,750.00

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

Total amount of guarantees	1,351,505,750.00
Total amount of guarantees as a percentage of the Company's net assets (%)	11.31

Including:

Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70%	1,351,505,750.00
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Note on guarantees

During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB1,352 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 RMB352 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.

(iii) Cash assets entrusted to be managed by others

1. Entrusted wealth management

(1). Overview of entrusted wealth management

Unit: Yuan Currency: RMB

Type	Source of funding	Amount occurred	Outstanding balance	Amount overdue unrecovered
Entrusted assets	Self-owned funds	1,301,000,000.00	1,001,000,000.00	0

(2). Individual entrusted wealth management

Unit: Yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Date of commencement of entrusted wealth management	Date of expiry of entrusted wealth management	Uses	Method of determination of remuneration	Annualised rate of return (if any)	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted wealth management	Amount of provision made for impairment (if any)
CSSC Finance	Entrusted assets	200,000,000.00	2016/6/17	2018/6/17	Self-owned funds	One-off recovery of principal and return upon maturity	4.16%	16,600,000.00	-	Yes	Yes	-	
CSSC Finance	Entrusted assets	300,000,000.00	2014/12/29	2017/6/21	Self-owned funds	Many utilized in low risk products such as central bank bills, treasury bonds, convertible bonds, corporate bonds, trust products, short-term financing bills, medium-term notes, bank financial products, brokerage asset management plan, money funds, bond funds and deposits	5.00%	37,708,333.33	37,708,333.33	300,000,000.00	Yes	-	
CSSC Finance	Entrusted assets	301,000,000.00	2016/7/7	2018/6/25	Self-owned funds	Allocation of returns for calendar years and allocation of the principal and outstanding returns for the remaining period upon maturity	5.19%	30,731,203.29	22,726,654.62	Yes	Yes	-	
CSSC Finance	Entrusted assets	200,000,000.00	2016/6/17	2018/6/17	Self-owned funds	Allocation of returns for calendar years and allocation of the principal and outstanding returns for the remaining period upon maturity	5.80%	23,200,000.00	17,543,013.70	Yes	Yes	-	
CSSC Finance	Entrusted assets	200,000,000.00	2016/9/26	2018/9/26	Self-owned funds	Allocation of returns for the remaining period upon maturity	6.10%	24,400,000.00	15,074,520.55	Yes	Yes	-	
CSSC Finance	Entrusted assets	100,000,000.00	2016/11/8	2018/11/8	Self-owned funds	Allocation of returns for the remaining period upon maturity	5.80%	11,600,000.00	6,463,267.67	Yes	Yes	-	

Description:

- In the table above, the "expected return" represents the total returns expected to be obtained during the term of entrusted wealth management, and the "actual gain or loss" represents the gains or losses obtained as agreed under the contract during the elapsed period of entrusted wealth management.
- Huangpu Wenchong and GSI have utilised surplus capital in entrusted asset management. As at the end of the Reporting Period, the balance of entrusted assets was RMB1,001 million, which mainly represents low risk products such as central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bills, medium-term notes, bank financial products, brokerage asset management plan, money funds, bond funds and deposits, and generates return higher than income from bank deposit for the same period while having their risk under control. Based on past cooperation experiences, CSSC Finance makes prudent investments and has not been unable to make payment at lowest annual rate of return.

SECTION V SIGNIFICANT EVENTS

2. Entrusted loans

(1). Overview of entrusted loans

Type	Source of funding	Amount occurred	Outstanding balance	Amount overdue unrecovered
Consolidation of internal working capital loans of subsidiaries	Self-owned funds	1,250,000,000.00	880,000,000.00	0

Unit: Yuan Currency: RMB

(2). Individual entrusted loans

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery performed loans	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	35,000,000.00	2015/3/2	2017/3/1	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	35,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	85,000,000.00	2015/4/22	2017/4/21	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	85,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	85,000,000.00	2015/6/1	2017/5/31	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	85,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2016/5/5	2017/5/4	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis	4.00%	2,000,000.00	2,000,000.00	50,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	15,000,000.00	2016/5/24	2018/5/23	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	40,000,000.00	2016/5/26	2018/5/25	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2016/8/12	2018/8/11	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	-	Yes	Yes	-

Unit: Yuan Currency: RMB

SECTION V SIGNIFICANT EVENTS

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2016/10/21	2018/10/20	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2016/12/1	2018/11/30	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	35,000,000.00	2017/3/1	2019/2/28	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	85,000,000.00	2017/4/21	2019/4/20	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	85,000,000.00	2017/5/31	2019/5/30	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Performance of contractual obligations	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	60,000,000.00	2016/9/12	2017/5/4	Self-owned funds	Replenishment of working capital of Merchuan Heavy Industrial	Payment of interest on a quarterly basis	3.00%	1,088,333.34	1,058,333.34	60,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2015/12/22	2017/5/4	Self-owned funds	Replenishment of working capital of Merchuan Heavy Industrial	Payment of interest on a quarterly basis	4.75%	1,316,805.56	1,316,805.56	20,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2017/2/9	2017/6/2	Self-owned funds	Replenishment of working capital of Merchuan Heavy Industrial	Payment of interest on a quarterly basis	3.00%	188,333.33	188,333.33	20,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	300,000,000.00	2017/6/26	2017/12/25	Self-owned funds	Replenishment of working capital of Merchuan Shipyard	Payment of interest on a quarterly basis	3.90%	5,915,000.00	5,915,000.00	300,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2017/2/9	2018/2/8	Self-owned funds	Replenishment of working capital of Merchuan Heavy Industrial	Payment of interest on a quarterly basis	3.00%	910,000.00	787,500.00	-	Yes	Yes	-

SECTION V SIGNIFICANT EVENTS

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2017/3/20	2019/3/19	Self-owned funds	Replenishment of working capital of Merchuan-Heavy Industrial	Payment of interest on a quarterly basis	3.00%	3,037,500.00	1,150,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2017/3/28	2019/3/19	Self-owned funds	Replenishment of working capital of Merchuan-Heavy Industrial	Payment of interest on a quarterly basis	3.00%	3,004,166.67	1,116,666.67	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2017/8/25	2018/9/24	Self-owned funds	Replenishment of working capital of Merchuan-Heavy Industrial	Payment of interest on a quarterly basis	3.00%	605,666.67	196,666.67	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2017/9/22	2018/9/24	Self-owned funds	Replenishment of working capital of Merchuan-Heavy Industrial	Payment of interest on a quarterly basis	3.00%	560,000.00	150,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2017/10/24	2018/9/24	Self-owned funds	Replenishment of working capital of Merchuan-Heavy Industrial	Payment of interest on a quarterly basis	3.00%	1,266,666.67	241,666.67	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2017/11/15	2018/9/24	Self-owned funds	Replenishment of working capital of Merchuan-Heavy Industrial	Payment of interest on a quarterly basis	3.00%	235,000.00	30,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2017/12/11	2018/9/24	Self-owned funds	Replenishment of working capital of Merchuan-Heavy Industrial	Payment of interest on a quarterly basis	3.00%	213,333.33	8,333.33	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	120,000,000.00	2017/11/3	2018/11/2	Self-owned funds	Replenishment of working capital of GSI	Payment of interest on a quarterly basis	4.00%	4,800,000.00	603,775.59	-	Yes	Yes	-
Bank of Communications Co., Ltd.	Consolidation of internal working capital loans of subsidiaries	15,000,000.00	2017/11/24	2018/12/24	Self-owned funds	Replenishment of working capital of GSI	Payment of interest on a quarterly basis	4.00%	660,939.90	42,452.83	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	150,000,000.00	2017/11/3	2018/11/2	Self-owned funds	Replenishment of working capital of Merchung Shipyard	Payment of interest on a quarterly basis	4.00%	6,000,000.00	754,716.99	-	Yes	Yes	-
Bank of Communications Co., Ltd.	Consolidation of internal working capital loans of subsidiaries	35,000,000.00	2017/11/24	2018/12/24	Self-owned funds	Replenishment of working capital of Hanguo Werobong	Payment of interest on a quarterly basis	4.00%	1,518,904.11	99,666.60	-	Yes	Yes	-

Description:

1. In the table above, the “expected return” represents the total returns expected to be obtained during the term of loan, and the “actual gain or loss” represents the gains or losses obtained as agreed under the contract during the elapsed period of loan.
2. During the Reporting Period, in order to support the operation and development of its subsidiaries and replenish their working capital for production and operation, the Group provided entrusted loans to its relevant subsidiaries with CSSC Finance/Bank of Communications Co., Ltd. as entrusted financial institution. As all the entrusted loans of the Group during the Reporting Period are internal working capital loans of consolidated subsidiaries, the actual returns received have been eliminated, and the “expected return” and “actual gain or loss” at the Group level are nil.

VIII. PERFORMANCE OF SOCIAL RESPONSIBILITIES

(i) Poverty alleviation measures of the Company

1. Targeted poverty alleviation plan

In 2017, in accordance with the arrangements of the central government for targeted poverty alleviation and under the leadership of the management, the provincial government of Guangdong Province and governments at various levels, the Group actively carried out targeted poverty alleviation to improve the self-development ability of receipts of aid and get out of poverty as soon as practicable.

2. Annual summary of targeted poverty alleviation

In 2017, the Group conscientiously implemented the spirit of the central poverty alleviation and development work conference and the central enterprise poverty alleviation and development work conference by actively responding to the call of CSSC and furthering “targeted poverty alleviation”:

- (1) in view of the operation of the Company and its subsidiaries, the Company organised employees to purchase free-range chicken from Heqing County, Yunnan Province at a total consideration of RMB3,232,000 and provided targeted help to support the industrial development of Heqing County. It provided financial assistance in the amount of RMB24,000 for vocational skills training fees of poor students in Heqing County and further implemented targeted poverty alleviation measures.
- (2) In accordance with the documents of superior authorities, the Company donated RMB230,000 to Xuwen County, Guangdong Province and provided financial assistance of RMB300 each to 36 households in He'an Village as receipts of aid, totalling RMB11,000.
- (3) In accordance with the documents of Guangzhou Ship Industrial Co., Ltd., in order to further advance targeted poverty alleviation, to improve the self-development ability of poor villages and local poor population and to enhance the development of low-level service-based Party organisations in He'an Village, Guangdong, and determined the amount of the support fund of RMB240,000 in total.

SECTION V SIGNIFICANT EVENTS

3. Results of targeted poverty alleviation

Unit: RMB in ten thousand Currency: RMB

Indicator	Number and relevant information
I. General information	
Including: 1. Fund	354
2. Materials	0
3. Number of records established for poor people (person)	410
II. Investment by project	
1. Poverty alleviation through industrial development	
	<input checked="" type="checkbox"/> Agriculture and forestry industry poverty alleviation <input type="checkbox"/> Tourism poverty alleviation <input type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Assets income poverty alleviation <input type="checkbox"/> Technology poverty alleviation <input type="checkbox"/> Others
Including: 1.1 Types of industrial poverty alleviation projects	
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount of investment in industrial poverty alleviation projects	323.2
1.4. Number of records established for poor people who have got out of poverty (person)	333
2. Job transfer poverty alleviation	
Including: 2.1 Amount of investment in vocational skills training	5.3
2.2 Number of persons receiving vocational skills training	8
4. Education poverty alleviation	
Including: 4.1 Amount of assistance provided to poor students	2.4
4.2 Number of poor students receiving assistance (person)	8
9. Other projects	
Including: 9.1 Number of projects	1
9.2 Amount of investment	23

4. Subsequent targeted poverty alleviation plan

In 2018, the Group will support and help with the industrial development, education, infrastructure development, labour training and pairing with receipts of aids in accordance with the deployments and arrangements of CSSC.

(ii) Social responsibility work

The Company does not belong to a listed company in heavy pollution industries as specified by the state environmental protection department. For details about the performance of the social responsibilities of the Company and the requirements of the Hong Kong Stock Exchange for the environmental, social and governance reporting guidelines, please refer to the "Corporate Governance Report for the year 2017", which was published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk), the Shanghai Stock Exchange (www.sse.com.cn) and the Company (comec.cssc.net.com) on 29 March 2018.

IX. OTHERS

1. Reserves

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

2. Property, plant and equipment

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

3. Bank loans and other loans

Details of the Company's bank loans and other loans as at 31 December 2017 are set out in notes to financial statements.

4. Purchase, disposal or redemption of listed securities of the Company

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

5. Pre-emptive right

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

6. Service contracts with Directors and Supervisors

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

7. Remuneration of Directors and Supervisors

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

8. Directors' and Supervisors' interest in contracts

During the financial year ended 31 December 2017, none of the Company or any of its subsidiaries has entered into any contract which has significant effect on the Company's business, in which Directors or Supervisors have direct or indirect significant interest and which is still in effect during the year ended 31 December 2017.

9. Directors' interest in competing business

No Directors have any interest in competing business.

10. Management contracts

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2017.

11. Major customers and suppliers

During the year ended 31 December 2017, the purchase made by the Group from its top five suppliers (as defined in the Listing Rules) in total did not exceed 30% of the Group's total purchase of goods and services for the year.

During the year ended 31 December 2017, the sales made by the Group to its top five customers in total accounted for 55.30% of the Group's total sales for the year, in which the Group's sale to its largest customer accounted for 40.88% of the Group's total sales for the year.

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

12. Remuneration policies

As at 31 December 2017, the total number of employees of the Group was 17,928. The remuneration of employees has been determined based on the complexity and responsibility of their positions and their work performance. The remuneration of Directors, supervisors and senior management of the Company consists mainly of the following:

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

13. Retirement and employee benefit plans

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

14. Audit Committee

The Audit Committee of the Company has reviewed the Group's annual results for 2017 and the financial statements for the year ended 31 December 2017 prepared under the Accounting Standards for Business Enterprises in the PRC.

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES

(i) Statement of changes in ordinary shares

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

(ii) Changes in shares subject to selling restriction

Unit: Share

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

II. TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDING

(i) Total number of shareholders

Total number of ordinary shareholders at the end of the Reporting Period 67,809
 Total number of ordinary shareholders as at the end of the month preceding the date of publication of annual report 67,811

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

Unit: Share

Name of shareholder (full name)	Shareholding of top ten shareholders			Number of shares held subject to selling restriction	Pledged or frozen		Shareholders Nature
	Increase/decrease during the Reporting Period	Number of shares held at the end of the period	Proportion (%)		Share status	Number	
HKSCC Nominees Limited	480,458	589,209,327	41.68	0	None	0	Overseas legal person
China State Shipbuilding Corporation Limited	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 Special securities account for agreed securities repurchase transactions of Soochow Securities Co., Ltd.	-6,223,309	9,701,602	0.69	0	None	0	Others
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	8,423,700	8,423,700	0.60	0	None	0	Others
Yangzhou Kejin Shipyard Co., Ltd.	-405,179	7,443,058	0.53	0	None	0	Others
	-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 – FH002 Hu	6,178,564	6,178,564	0.44	0	None	0	Others
Xi'an Investment Holding Co., Ltd.	0	5,291,159	0.37	0	None	0	Domestic non-state-owned legal person

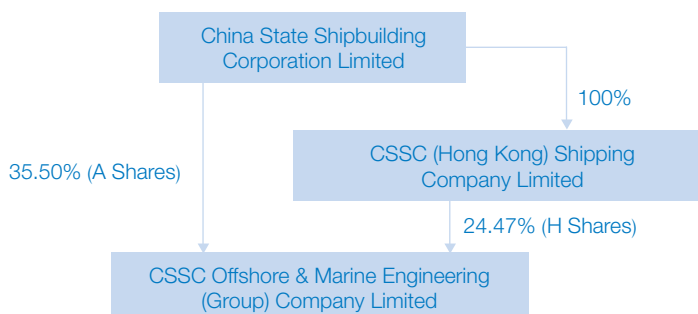
III. CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLERS

(i) Controlling shareholders

1 Legal persons

Name	China State Shipbuilding Corporation Limited
The person in charge or legal representative of the entity	Dong Qiang
Date of establishment	29 June 1999
Principal businesses	State-owned assets investment and management, industrial investment, investment management within the scope of authorisation of the State Council; research and development, design, production, sale and maintenance services; research and development, design, manufacture, repair, lease, management of ships, offshore engineering and marine transportation, marine development, marine protection equipment; research and development, design, manufacture, repair, lease, management of large engineering equipment, power equipment, mechanical and electrical equipment, information and control products; import and export of goods and technology, domestic trading; completed equipment warehousing logistics, exploration, development and investment management of complete equipment, ship leasing business, liner investment and management; survey and design, project contracting, project construction, construction and installation, project supervision business. Development, transfer and consulting of military technology, civil technology and technology for both military and civil uses, technical services, investment in and management of technical training business.
Shareholdings in other domestic and overseas listed companies of which it has holding rights and joint-stocks during the Reporting Period	As at 31 December 2017, the Company directly and indirectly held a total of 51.18% equity interest in China CSSC Holdings Limited, and directly and indirectly held a total of 41.28% equity interest in CSSC Science & Technology Co., Ltd..
Other matters	CSSC and CSSC HK entered into the Parties Acting in Concert Agreement on 25 April 2014, in which it was agreed that CSSC HK shall authorize CSSC to exercise the shareholder's rights it enjoyed so far as CSSC HK remains a wholly-owned subsidiary of CSSC (For details, please refer to the Announcement in relation to the Entering into the Parties Acting in Concert Agreement by Substantial Shareholders of the Company published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 29 April 2014 by the Company).

2 Ownership and controlling relationship between the Company and controlling shareholders



SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

(ii) Information on beneficial controllers

1 Ownership and controlling relationship between the Company and beneficial controllers



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

Unit: Hong Kong dollars

Name of legal person shareholder	The person in charge or legal representative of the entity	Date of establishment	Code of organisation	Registered capital	Principal business or management activities
CSSC (Hong Kong) Shipping Company Limited (H Shares)	Yang Li	2012.6.25	None	4,602,046,234.00	Engaged in shipbuilding, shipping, ship lease and financing business; has the right to acquire or invest in other companies; has the right to all business that is directly or indirectly beneficial for realisation of the goals of the Company.

Description

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

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

As at 31 December 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 (share)	Capacity	Approximate shareholding percentage of issued H Shares (%)	Approximate shareholding percentage of issued A Shares (%)	Percentage of total issued share capital (%)
China State Shipbuilding Corporation Limited	A Shares	501,745,100(L)	Beneficial owner	–	61.08	35.50
CSSC (Hong Kong) Shipping Company Limited	H Shares	345,940,890(L)	Beneficial owner	58.43	–	24.47

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 31 December 2017.

VI. DIRECTORS' AND SUPERVISORS' INTEREST

As at 31 December 2017, none of the Directors, Supervisors and chief executive of the Company has any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be recorded in the register required to be kept under Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers.

VII. OTHER INFORMATION

(i) Warrants and others

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

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

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

(iii) Public float of H shares

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

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGE IN SHAREHOLDING AND REMUNERATION

(i) Change in shareholding and remuneration of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period

Unit: Share

Name	Position (note)	Gender	Age	Date of appointment	Date of expiry of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held in the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether receiving compensation from related parties of the Company or not
Han Guangde	Executive Director	Male	56	2004-6-25	2020-5-31	0	0	0		77.52	No
Chen Zhongqian	Executive Director	Male	54	2013-11-25	2020-5-31	0	0	0		92.85	No
Chen Liping	Executive Director	Male	51	2016-8-10	2020-5-31	0	0	0		78.29	No
Xiang Huiming	Executive Director	Male	52	2015-5-8	2020-5-31	0	0	0		89.85	No
Chen Ji	Executive Director	Male	51	2016-8-10	2020-5-31	0	0	0		77.50	No
Yang Li	Non-executive Director	Male	50	2013-6-24	2020-5-31	0	0	0		0	Yes
Shi Jun	Non-executive Director	Male	43	2018-2-12	2020-5-31	0	0	0		0	Yes
Wang Yichu	Independent non-executive Director	Male	59	2015-11-5	2020-5-31	0	0	0		20	No
Min Weiguo	Independent non-executive Director	Male	53	2015-11-5	2020-5-31	0	0	0		20	No
Liu Renhui	Independent non-executive Director	Male	77	2018-2-12	2020-5-31	0	0	0		0	No
Yu Shiyou	Independent non-executive Director	Male	62	2018-2-12	2020-5-31	0	0	0		0	No
Wu Guangjun	Chairman of the Supervisory Committee	Male	52	2016-8-10	2020-5-31	0	0	0		0	Yes
Fu Xiaosi	External supervisor	Male	59	2008-5-13	2020-5-31	0	0	0		9	No
Zhu Zhengfu	External supervisor	Male	54	2011-5-31	2020-5-31	0	0	0		9	No
Mai Rongzhi	Employee supervisor	Male	55	2018-2-12	2020-5-31	0	0	0		0	No
Zhang Shan	Employee supervisor	Male	47	2018-2-12	2020-5-31	0	0	0		0	No
Li Zhidong	Secretary to the Board	Male	52	2016-10-14	2020-5-31	0	0	0		63.76	No
Hou Zengquan	Chief financial officer	Male	47	2017-11-10	2020-5-31	0	0	0		7.19	No
Wang Guozhong	Non-executive Director	Male	55	2015-5-8	2018-2-12	0	0	0		0	Yes
Song Dajin	Independent non-executive Director	Male	61	2014-12-22	2018-2-12	0	0	0		20	No
Zhu Mingyou	Independent non-executive Director	Male	64	2014-12-22	2018-2-12	0	0	0		0	No
Chen Shaolong	Internal supervisor	Male	44	2011-5-31	2018-2-12	0	0	0		50.91	No
Ding Qianfang	Internal supervisor	Female	48	2016-12-15	2018-2-12	0	0	0		51.12	No
Chen Qiongyang	Chief accountant	Male	48	2015-7-9	2017-11-9	0	0	0		62.14	No
Total	/	/	/	/	/	0	0	0	/	729.13	/

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experiences
Han Guangde	Male, born in May 1962, senior engineer (professional level). He graduated from Huazhong University of Science and Technology (華中工學院) in 1983 and joined Guangzhou Shipyard in the same year, and obtained a master of engineering in industrial engineering in 2002. He successively served as deputy head of the production management department under the shipbuilding division, deputy manager and manager of the shipbuilding division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy general manager, general manager, chairman of the board of directors and party secretary of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); and chairman of the board of directors of CSSC Guangzhou Longxue Shipbuilding Co., Ltd. (廣州中船龍穴造船有限公司). He is chairman and party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司), chairman of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司) and chairman of the Company.
Chen Zhongqian	Male, born in September 1963, senior engineer (professional level). He graduated from Wuhan University of Water Transportation Engineering College (湖北武漢水運工程學院) in 1983 and joined Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司) in the same year. In 2002, Mr. Chen obtained a master's degree in business administration. He successively served as deputy head and head of the outfitting department, assistant to general manager and deputy general manager of Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司); general manager, party secretary, vice chairman and chairman of the board of directors of Guangzhou Huangpu Shipyard Co., Ltd. (廣州黃埔造船有限公司). He is currently chairman and party secretary of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司); and vice chairman of the Company.
Chen Liping	Male, born in November 1967, senior accountant and senior economist. He graduated from Harbin Institute of Technology (哈爾濱工業大學), majoring in precision instrument, with a bachelor's degree in engineering in July 1989, and graduated from South China University of Technology (華南理工大學), majoring in business administration, with a master's degree in 2002. He successively served as deputy manager of the finance department, deputy chief accountant and chief accountant of Guangzhou Wenchong Shipyard Co. Ltd. (廣州文沖船廠有限責任公司); chief accountant, secretary to the board of directors, and executive director of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy director of the audit department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司); and chief accountant of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently an executive director and general manager of the Company.
Xiang Huiming	Male, born in March 1966, senior engineer (professional level). He graduated from Huazhong University of Science and Technology (華中理工大學) in 1988 and joined Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司) in the same year, and obtained a master's degree in business administration in 2004. He successively served as engineering head of the production section, deputy director of general office and deputy head of the enterprise management department, manager of the enterprise management department, assistant to general manager, deputy general manager, party secretary, general manager and chairman of Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司). He is currently general manager and deputy party secretary of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司); and an executive Director of the Company.
Chen Ji	Male, born in September 1967, senior engineer. He graduated from Shanghai Jiaotong University (上海交通大學), majoring in ship engineering, with a bachelor's degree in engineering in 1989, and graduated from South China University of Technology (華南理工大學), majoring in business administration, with a master's degree in 2001. He successively served as assistant to manager of the ship maintenance division and deputy manager of the heavy mechanical engineering division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); director, deputy general manager, deputy party secretary, secretary to the discipline inspection commission and chairman of the labor union of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); and secretary to the discipline inspection commission of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently party secretary of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司); general manager and deputy party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司); and an executive Director of the Company.
Yang Li	Male, born in September 1968, senior engineer. He graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1991 and joined Guangzhou Shipyard (廣州造船廠) in the same year. He obtained a master's degree in business administration from Wright State University, Ohio, United States in 2006. He successively served as deputy head and head of the materials department, manager of the ship operation department of the shipbuilding division, assistant to general manager and deputy general manager of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); and deputy director of the finance department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司). He is currently chairman of CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃公司) and China United Shipbuilding Company Limited (香港華聯船舶有限公司); and a non-executive Director of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

- Shi Jun** Male, born in April 1974, senior engineer. He graduated from Harbin Engineering University (哈爾濱工程大學) in 1996 and joined Guangzhou Huangpu Shipyard (廣州黃埔造船廠) in the same year. He successively served as deputy director of the production management department and deputy manager of the marine engineering department of the shipbuilding division of Guangzhou CSSC Huangpu Shipbuilding Co., Ltd. (廣州中船黃埔造船有限公司); assistant to general manager of Guangzhou Huangchuan Ocean Engineering Co., Ltd. (廣州黃船海洋工程有限公司); and head of the operation planning section of the operation management department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司). He is currently deputy director of the operation management department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司); and a non-executive Director of the Company.
- Wang Yichu** Male, born in May 1959, senior accountant. He graduated from Jinan University (暨南大學), majoring in accounting, in July 1984, and obtained a graduate diploma in political economics in 2007. He successively served as financial accountant of South China No. 2 Sewing Machine Factory (華南縫紉機二廠), financial accountant of Guangzhou Jintong Industrial Co., Ltd. (廣州金通實業有限公司), auditor, department manager and deputy chief accountant of BDO China Guang Dong Shu Lun Pan Certified Public Accountants (立信羊城會計師事務所有限公司). He is currently a partner of BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)); and an independent non-executive director of the Company.
- Min Weiguo** Male, born in March 1965. He graduated from Wuhan University with a bachelor's degree in law in June 1987 and obtained a master's degree in business administration in 2005. He served as director of Zhuhai Xiangzhou Economy and Trade Law Firm (珠海市香洲區經貿律師事務所), partner and director of D&S Law Firm (德賽律師事務所) in Guangdong, director of Toronto office of D&S Law Firm, and senior partner of Guangdong Nanguo D&S Law Firm (廣東南國德賽律師事務所). He is currently chief partner of Guangdong Nanguo D&S Law Firm; and an independent non-executive Director of the Company.
- Liu Renhuai** Male, born in July 1940, professor and academician of Chinese Academy of Engineering. He graduated from Lanzhou University in August 1963 (蘭州大學), majoring in mathematics and mechanics. He successively served as lecturer, associate professor, professor, deputy head of teaching and research section, deputy department director, deputy editor-in-chief of college journal of University of Science and Technology of China (中國科技大學); vice president, first dean of the economic management school and director of projection and consulting institute of Shanghai University of Technology (上海工業大學); professor and doctoral supervisor of Shanghai Institute of Applied Mathematics and Mechanics (上海應用數學和力學研究所); vice president, president, party secretary, member of the board of directors of Jinan University (暨南大學); vice chairman of Guangdong Provincial Association for Science and Technology, standing member of the eighth and ninth sessions of Guangdong Provincial Political Consultative Conference, deputy director of the committee of education, science, culture, health and sports of Guangdong Provincial Political Consultative Conference, counsellor of the People's Government of Guangdong Province; chairman of Chinese Society for Vibration Engineering (中國振動工程學會), vice chairman of the Chinese Society of Theoretical and Applied Mechanics (中國力學學會), vice chairman of the National Higher-school Teaching Research Association (全國高等學校教學研究會); director of the Higher-school Teaching Guiding Committee of the Ministry of Education (教育部高等學校力學教學指導委員會) and member of the China Standardization Expert Committee of the General Administration of Quality Supervision, Inspection and Quarantine of China (國家質監總局中國標準化專家委員會). He is currently a professor, director of institute of applied mechanics and director of strategic management research centre of Jinan University; and an independent non-executive Director of the Company.
- Yu Shiyou** Male, born in March 1956, professor. He graduated from Huazhong University of Science and Technology (華中理工大學) in 1987 with a master's degree, majoring in western economics. He successively served as deputy secretary of the Communist Youth League of Wuhan Camera Shutter Plant (武漢照相機快門廠); associate professor and deputy dean of the economics school of Huazhong University of Science and Technology; professor, director of international finance and trading department, director of international business department, and deputy dean of Lingnan College, Sun Yat-Sen University (中山大學嶺南學院); director of finance and state-owned assets administration department, assistant to president, standing member of party committee, vice president, deputy party secretary and secretary of commission for discipline inspection of Sun Yat-Sen University. He is currently dean of Lingnan College, Sun Yat-Sen University (中山大學嶺南學院); and an independent non-executive Director of the Company.
- Wu Guangjun** Male, born in July 1966, senior policy advisor and senior economist. He graduated from Zhanjiang Aquatic College (湛江水產學院) in July 1988 and obtained a graduate diploma in July 1999 and a master's degree in November 2006. Mr. Wu successively served as general manager of Wanda Woods Co., Ltd. (萬達木業有限公司), manager of the human resources department, assistant to general manager, general counsel, and head of the risk management department of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); director of the party and masses relationship department, head of the disciplinary inspection and audit department, assistant to general manager, and general counsel of CSSC Guangzhou Longxue Shipbuilding Co., Ltd. (廣州中船龍穴造船有限公司); assistant to general manager, chief legal advisor and head of the risk management department of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently deputy party secretary, secretary to the disciplinary inspection committee and chairman of the labour union of Guangzhou Ship Industrial Co., Ltd. (廣州船舶工業有限公司), and chairman of the supervisory committee of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Fu Xiaosi	Male, born in July 1959, senior accountant with bachelor's degree, Certified Public Accountant. He graduated from Huazhong University of Science and Technology (華中工學院) in 1986. He served as deputy managing accountant (senior partner) of Zhongqin Wanxin Public Accountants Limited (中勤萬信會計師事務所), chief accountant of Hubei Tri-ring Company Limited (湖北三環股份有限公司), chief accountant of Tri-ring Group. He is currently deputy general manager and chief financial controller of Hubei Jiu Zhi Yang Infrared System Company Limited (湖北久之洋紅外系統股份有限公司) of China Shipbuilding Industry Corporation, and a supervisor of the Company.
Zhu Zhengfu	Male, born in September 1964, senior lawyer with a doctoral degree. He graduated from the Law School of Wuhan University (武漢大學) in 1987 and obtained a juris doctorate degree from Wuhan University in 1999. He successively served as director of the Finance & Property Department in Guangdong Economic and Trade Law Firm (廣東經濟貿易律師事務所), partner of Guangdong Dalu Law Firm (廣東大陸律師事務所), deputy director of Guangdong Property Law Advisory Services Centre of the Department of Land and Resources of Guangdong Province (廣東省國土廳廣東地產法律諮詢服務中心). He is currently director and executive partner of Guangdong Kunlun Law Firm (廣東東方昆侖律師事務所) and a supervisor of the Company.
Mai Rongzhi	Male, born in August 1962, senior engineer (professional level). He graduated from South China University of Technology (華南工學院) in 1983. He successively served as ship design engineer, head of the outer fitting section, assistant to director and head of the management section, deputy director and director of the second design studio of the assembly branch of Guangzhou Shipyard (廣州造船廠); director of the second design studio and deputy director of the engineering department of the shipbuilding division, director of the ship research institute of the technology centre, assistant to manager and deputy manager of the shipbuilding division, deputy director of the technology centre of the ship design company, deputy chief engineer and head of general engineering office, assistant to general manager and standing deputy director of the technology centre, chief engineer and director of the technology centre of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently deputy party secretary and chairman of labour union of Guangzhou Shipyard International Company Limited (廣船國際有限公司); and an employee supervisor of the Company.
Zhang Shan	Male, born in December 1970, with a bachelor's degree, senior accountant. He started his career in August 1990. He successively served as director of the production protection department of the labour union, head of the enterprise management section of the general management department, assistant to manager of the economy operation department, party secretary of the production support department, party secretary and deputy director of the general office, and secretary to the board of directors of Guangzhou Huangpu Shipyard (廣州黃埔造船廠). He is currently director and party secretary of the enterprise management and planning department of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司); and an employee supervisor of the Company.
Li Zhidong	Male, born in April 1966, senior engineer. He graduated from Shanghai Jiaotong University with a bachelor's degree, majored in ship engineering, in engineering in July 1987 and obtained a master degree in November 1997. He served as head of general office, chief legal advisor, assistant to general manager, board secretary and secretary of Hong Kong company of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently secretary to the Board of the Company.
Hou Zengquan	Male, born in May 1970, senior accountant, certified public accountant, certified management accountant and certified internal auditor. He graduated from Jiujiang Ship Industry School (九江船舶工業學校) in July 1989, majoring in industrial accounting and graduated from Jinan University (暨南大學) in December 1992, major in accounting. He successively served as assistant to director and director of the finance centre of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司), as well as deputy chief accountant of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently deputy chief accountant and chief financial officer of the Company.

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

(i) Positions held at shareholders

Name	Name of shareholder	Positions held at shareholders	Date of appointment	Date of expiry of office
Han Guangde	Guangzhou Shipyard Co., Ltd.	Chairman	2013.09	Not applicable
Chen Liping	CSSC Investment and Development Company Limited	Director	2013.03	2017.12
Chen Liping	CSSC Finance Company Limited	Director	2013.03	2017.12
Chen Ji	Guangzhou Shipyard Co., Ltd.	Party secretary	2013.09	Not applicable
Yang Li	CSSC (Hong Kong) Shipping Company Limited	Chairman	2013.09	Not applicable
Yang Li	China United Shipbuilding Company Limited	Chairman	2013.09	Not applicable
Shi Jun	China State Shipbuilding Corporation Limited	Deputy director	2013.03	Not applicable
Wu Guangjun	Guangzhou Ship Industrial Co., Ltd.	Deputy party secretary, secretary of disciplinary committee, chairman of labour union	2016.04	Not applicable

(ii) Positions held at other entities

Name	Name of other entities	Positions held at other entities	Date of appointment	Date of expiry of office
Song Dejin	International Management Development Centre of the Hong Kong government	Senior advisor	1997.12	Not applicable
Song Dejin	Real Estate Research Centre of Fudan University	Researcher	1999.09	Not applicable
Song Dejin	BCD Company of the Chinese Academy of Sciences	Chief advisor	2006.02	Not applicable
Song Dejin	Nanjing University of Aeronautics and Astronautics	Chief advisor	2009.01	Not applicable
Wang Yichu	BDO China Shu Lun Pan Certified Public Accountants LLP	Partner	2012.12	Not applicable
Min Weiguo	Guangdong Nanguo D&S Law Firm	General partner	2014.09	Not applicable
Liu Renhuai	Jinan University	Professor, academician	1991.11	Not applicable
Liu Renhuai	AviChina Industry & Technology Company Limited	Independent director	2014.06	Not applicable
Liu Renhuai	Guangdong Hongda Blasting Co., Ltd.	Independent director	2013.09	Not applicable
Liu Renhuai	Guangdong Recyclean Low-carbon Technology Co., Ltd.	Chairman	2013.05	Not applicable
Fu Xiaosi	Hubei Jiu Zhi Yang Infrared System Company Limited	Deputy general manager and chief financial officer	2012.12	Not applicable
Fu Xiaosi	Chigo Holding Ltd.	Independent director	2008.08	Not applicable
Fu Xiaosi	Hubei Xingfa Chemical Group Co., Ltd.	Independent director	2015.04.	Not applicable
Fu Xiaosi	Xiangyang Automobile Bearing Co., Ltd.	Independent director	2015.08	Not applicable
Fu Xiaosi	Guangdong Sunwill Precising Plastic Co., Ltd.	Independent director	2017.06	Not applicable
Zhu Zhengfu	Kunlun Law Firm	Director, executive partner	1998.03	Not applicable
Zhu Zhengfu	Guangzhou Daily Media Co., Ltd.	Independent director	2013.06	Not applicable
Zhu Zhengfu	Poly Real Estate (Group) Co., Ltd.	Independent director	2014.04	Not applicable
Zhu Zhengfu	Beijing Honggao Creative Construction Co., Ltd.	Independent director	2014.11	Not applicable
Zhu Zhengfu	E Fund Management Co., Ltd.	Independent director	2016.04	Not applicable
Zhu Zhengfu	Dongjiang Environmental Co. Ltd.	Independent director	2016.10	Not applicable
Zhu Zhengfu	Wuhan Sante Cableway Group Co., Ltd.	Independent director	2017.03	Not applicable

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III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process of remuneration of Directors, Supervisors and Senior Management	1. In accordance with the Proposal for Remuneration for the Eighth Session of the Board and Senior Management, the Emolument and Examination Committee assessed the performance of executive Directors and senior management for the previous year, determined their performance coefficients and performance salaries, and reported to the Board for approval.
	2. The Emolument and Examination Committee makes recommendations to the Board on special annual rewards to be issued to executive Directors, internal supervisors and senior management based on prevailing market conditions, performance of the Company and total amount of performance salaries.
Basis for determination of remuneration of Directors, Supervisors and Senior Management	The remuneration of existing Directors, Supervisors and senior management of the Company has been determined based on the Proposal for Remuneration for the Eighth Session of the Board and Senior Management. According to a resolution passed at the first extraordinary general meeting of the Company for 2015, the remuneration for independent Directors has been adjusted from RMB120,000/year (inclusive of tax) to RMB200,000/year (inclusive of tax).
Actual payment for the remuneration of Directors, Supervisors and Senior Management Officers	For details, please refer to the section headed "Changes in the shareholding and remuneration of the Directors, Supervisors and Senior Management" in this chapter
Total actual remuneration of all Directors, Supervisors and Senior Management Officers at the end of the Reporting Period	For details, please refer to the section headed "Changes in the shareholding and remuneration of the Directors, Supervisors and Senior Management" in this chapter

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Wang Guozhong	Non-executive Director	Resigned	Change of session of the Board
Shi Jun	Non-executive Director	Elected	Change of session of the Board
Song Dejin	Independent non-executive Director	Resigned	Change of session of the Board
Zhu Mingyou	Independent non-executive Director	Resigned	Change of session of the Board
Liu Renhuai	Independent non-executive Director	Elected	Change of session of the Board
Yu Shiyou	Independent non-executive Director	Elected	Change of session of the Board
Ding Qianfang	Internal supervisor	Resigned	Change of session of the Supervisory Committee
Chen Shaolong	Internal supervisor	Resigned	Change of session of the Supervisory Committee
Mai Rongzhi	Internal supervisor	Elected	Change of session of the Supervisory Committee
Zhang Shan	Internal supervisor	Elected	Change of session of the Supervisory Committee
Chen Qiongxiang	Chief financial officer	Resigned	Work
Hou Zengquan	Chief financial officer	Appointed	Replacement

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

(i) Details of staff

Number of existing employees of the Company	27
Number of existing employees of major subsidiaries	17,901
Total number of existing employees	17,928
Number of retired staff who incurred expenses of the Company and major subsidiaries	8,965

Functions

Type of functions	Number of employees
Production staff	11,338
Sales staff	94
Technical staff	3,370
Finance staff	144
Administrative staff	2,982
Total	17,928

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Educational Background

Education background level	Number of employees
Master's degree and above	274
Bachelor's degree	4,578
Associate degree	3,168
Others	9,908
Total	17,928

(ii) Remuneration policies

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

(iii) Training plan

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

(iv) Labour outsourcing

Total working hours for labour outsourcing	39,300,000 hours
Total remuneration paid for labour outsourcing	RMB1,854,315,700

I. INFORMATION ON CORPORATE GOVERNANCE

(i) Corporate governance

The Company always strictly conforms to the Company Law of the PRC and the Securities Law of the PRC, relevant regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and the Stock Exchange by continuously improving its corporate governance structure and standardizing its operations. During the Reporting Period, the Company's governance had no material deviations from the Company Law and relevant regulations issued by the China Securities Regulatory Commission. The Company has adopted the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "CG Code") as the corporate governance code of the Company. During the Reporting Period, the Company has been in strict compliance with the principles and code provisions and certain recommended best practices set out in the CG Code.

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

Board of Directors

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

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

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

In 2017, the Company held a total of 11 Board meetings, including 3 on-site meetings and 8 meetings held by communication equipment, issued 4 regular reports and 61 temporary announcements, conveyed related information to the market such as operational conditions, market conditions, important resolutions passed at meetings, significant personnel changes and connected transaction in a timely manner. All resolutions considered and approved on the Board meetings during the year 2017 were decided by the general manager of the Company before submitted to the Board of directors for discussion, and opinions from leadership were also listened. No fault has been made in respect of the announcements disclosed in respect of resolutions considered and approved at the Board meetings during the year. The decision-making procedures and the relevant decisions are in compliance with the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Articles of Association and the requirements of applicable laws and regulations, and the resolutions passed are legal and valid.

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

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

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

Directors

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

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

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organizations in relation to securities transactions by directors, supervisors and senior management. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code of conduct for the securities trading of shares by the Company's directors. The Company has made specific inquiries of all directors and supervisors and they have confirmed that they have fully complied with the Model Code and have not traded in the shares of the Company during the period before the publication of price-sensitive information such as periodic reports, announcements, profit warning, and other significant events announcements in 2017.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended 31 December 2017 in order to give a true and fair view of the Company and the Group's financial position and results of operations.

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

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

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

During the Reporting Period, the existing and resigned directors of the Company are as follows:

Name of Director	Term of office
Han Guangde Chen Zhongqian Chen Liping Xiang Huiming Chen Ji Yang Li Shi Jun	Appointed as non-executive Director on 12 February 2018
Wang Yichu Min Weiguo Liu Renhuai Yu Shiyong Wang Guozhong Song Dejin	Appointed as independent non-executive Director on 12 February 2018 Appointed as independent non-executive Director on 12 February 2018 Appointed as non-executive Director on 8 May 2015 and resigned on 12 February 2018 Appointed as independent non-executive Director on 22 December 2014 and resigned on 12 February 2018
Zhu Mingyou	Appointed as independent non-executive Director on 22 December 2014 and resigned on 12 February 2018

(ii) Specialized committees under the Board

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

1. **Audit Committee**

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

In 2017, the Audit Committee under the eighth session of the Board held a total of 8 meetings, at which they listened to the financial reports, financial position, internal control self-assessment reports for 2016, the first quarter of 2017, half year of 2017 and the third quarter of 2017 passed resolutions on these matters following thorough discussion and reported in time to the Board. Wang Yichu, Song Dejin and Zhu Mingyou attended all of these 8 meetings.

In addition, in accordance with the Implementation Rules for the Audit Committee, the Audit Committee communicated timely with the auditors, reviewed the financial statements of 2017 prepared by the Company before and after the auditors visits the Company and after the auditors have prepared their reports and formed a written opinion. When submitting the financial reports to the Board of Directors, the Audit Committee will also submit a report on the audit work done by the auditors for the year and submit a resolution in relation to re-appointment or change of auditors for the next year.

2. **Nomination Committee**

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

In 2017, the Nomination Committee under the eighth session of the Board held one meeting, at which the resolution on the nomination of Mr. Hou Zengquan as the chief financial officer of the Company, and Zhu Mingyou, Min Weiguo and Yang Li attended the meeting.

3. **Emolument and Examination Committee**

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

In 2017, the Emolument and Examination Committee held two meetings, at which the report on the remuneration of senior management for 2016 was listened to and the resolution on the development of the proposal for the remuneration of the ninth session of Directors, supervisors and senior management of the Company. Song Dejin and Wang Yichu attended these two meetings.

4. **Strategy Committee**

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

(iii) Corporate governance function

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

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

II. SHAREHOLDERS AND GENERAL MEETINGS

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

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

(i) Policy on Communication with Shareholders

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

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

(ii) Shareholders' Rights

Ways for shareholders to convene extraordinary general meeting

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

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

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

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

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

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

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

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

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

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

Procedures for putting forward proposals at general meeting

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

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

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

During the year 2017, the controlling shareholder of the Company had never been involved in any acts of bypassing the general meeting or interfering, whether directly or indirectly, with the Company's decision-making or operation. The Company and CSSC are independent of each other in terms of personnel, assets, finance, organization and business.

The connected transactions between the Company and CSSC were carried out in strict compliance with the listing rules of the relevant stock exchanges with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors were appointed to express their opinions. It is the policy of the Company and CSSC to conduct monthly monitoring of continuing connected transactions and report to the Board of Directors on a monthly basis and to Directors on the safety of connected deposits on an annual basis. The total value of continuing connected transactions in 2017 did not exceed the cap approved at general meetings.

(iv) **Information on general meetings**

No. of session	Date of meeting	Index for details on websites designated for publishing resolutions	Date of disclosure of resolutions
Annual general meeting of 2016	2017.5.26	Website of the Shanghai Stock Exchange, announcement on the website of the Stock Exchange, website of the Company	2017.5.27
First extraordinary general meeting of 2017	2017.8.29	Website of the Shanghai Stock Exchange, announcement on the website of the Stock Exchange, website of the Company	2017.8.30
Second extraordinary general meeting of 2017	2017.12.27	Website of the Shanghai Stock Exchange, announcement on the website of the Stock Exchange, website of the Company	2017.12.28

Notes to general meetings

- Annual general meeting of 2016: the resolution on the proposed grant at the general meeting of a general mandate to the Board to issue new shares, the report of the Board for 2016, the report of the Supervisory Committee for 2016, the full text of the annual report for 2016 (including the financial statements for 2016), the profit distribution proposal for 2016 and the resolution on the proposed provision of guarantee by the Company and its subsidiaries for 2017 and the amount were considered; and the duty performance report of independent Directors for 2016 was listened to.
- First extraordinary general meeting of 2017: the resolution in relation to the resolution in relation to the appointment of the auditors of the Company for the financial report for 2017, the resolution on the connected transaction in relation to the disposal of 51% equity interest in GSI Yangzhou Co., Ltd. and the resolution in relation to the provision by the Company of guarantee for its wholly-owned subsidiaries and the cap for 2017 were considered.
- Second extraordinary general meeting of 2017: the resolution on the amendment to certain provisions of the Articles of Association, the resolution on the Company's proposed application for the continuous suspension of trading in the A shares of the Company, the resolution on the connected transaction in relation to the non-exercise of the Right of First Refusal to acquire the 51% equity interests in GSI Yangzhou Co., Ltd., and the resolution on the connected transaction in relation to the entering into the Agreement in relation to Compensation for Relocation from the Liwan Plant Land of GSI by Guangzhou Shipyard International Company Limited were considered.

III. PERFORMANCE OF DUTIES BY DIRECTORS

(i) **Attendance of directors at Board meetings and general meetings**

Director Name	Independent or not	Board meetings					Absence from two consecutive meetings or not	Attendance at general meetings
		Required attendance during the year	Attendance in person	Attendance by communication equipment	Attendance by proxy	Number of absence		
Han Guangde	No	11	2	8	1	0	No	3
Chen Zhongqian	No	11	0	8	3	0	No	0
Chen Liping	No	11	3	8	0	0	No	3
Xiang Huiming	No	11	2	8	1	0	No	0
Chen Ji	No	11	2	8	1	0	No	1
Yang Li	No	11	1	8	2	0	No	0
Wang Guozhong	No	11	1	8	2	0	No	0
Song Dejin	Yes	11	3	8	0	0	No	2
Zhu Mingyou	Yes	11	3	8	0	0	No	3
Wang Yichu	Yes	11	3	8	0	0	No	3
Min Weiguo	Yes	11	2	8	1	0	No	1
Number of Board meetings during the year					11			
Including: Number of on-site meetings					3			
Number of meetings convened by communication equipment					8			
Number of meetings both on-site and by communication equipment					0			

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

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

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

VI. OTHERS - INSIDERS REGISTRATION MANAGEMENT

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

VII. CONCLUSION

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

I. INTERNAL CONTROL RESPONSIBILITY STATEMENT

The Company has established an effective internal control system in accordance with the Guidelines for Internal Control of Listed Companies issued by Shanghai Stock Exchange and the listing rules of the Stock Exchange. The Board evaluates the effectiveness of internal control system once a year. During the Reporting Period, the Company completed internal control self-assessment report for 2017. The Board has evaluated and validated the risk management and internal control system of the Group and has not found any violation of laws, regulations and rules or any significant deficiencies in compliance monitoring and risk management or any major mistakes. The Board considers the risk management and internal control system of the Group effective.

The full text of the Internal Control Self-Assessment Report for 2017 had been uploaded to the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 29 March 2018.

II. AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

ShineWing has conducted independent audit of the effectiveness of the Company's internal control for 2017 and issued an internal control audit report without qualifying opinions. For details, please refer to the internal control audit report of the Company disclosed on the website of the SSE (www.sse.com.cn) on 29 March 2018.

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

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



信永中和會計師事務所

ShineWing
certified public accountants

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AUDITOR'S REPORT

XYZH/2018BJA100020

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

I. AUDIT OPINION

We have audited the financial statements of CSSC Offshore & Marine Engineering (Group) Company Limited ("COMEC"), which comprise the consolidated and the Company's balance sheets as at 31 December 2017, and the Company's and consolidated income statements, the Company's and consolidated cash flows statements and the Company's and consolidated statements of changes in owners' equity for 2017 and the notes to the financial statements

In our opinion, the accompanying financial statements of COMEC present fairly, in all material aspects, COMEC's and consolidated financial position as at 31 December 2017 and its and consolidated results of operations and cash flows for the year 2017 in accordance with the Accounting Standards for Business Enterprises.

II. BASIS FOR AUDIT OPINION

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

III. KEY AUDIT MATTERS

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

1. Matter regarding recognition of compensation income for GSI land

Key audit matter

In 2017, Guangzhou Shipyard International Company Limited ("GSI", a subsidiary of COMEC) and Guangzhou Shipyard Shipping Co., Ltd. ("Guangzhou Shipyard Shipping") entered into the Agreement in relation to Compensation for Relocation from the Liwan Plant Land of GSI. GSI received the compensation of RMB826,965,300 paid by Guangzhou Shipyard Shipping by 31 December 2017 and recognised it as "non-operating income" for 2017. As such matter is special and significant to the profit or loss of COMEC for 2017, we considered it a key audit matter.

For details of the relevant information disclosed, please refer to note VI.59(3).

How the matter is addressed in auditing

Our key procedures include:

- (1) We obtained and reviewed the agreements and documents relating to the compensation of GSI land, and examined the receipt certificates for compensation amount;
- (2) We communicated with the management and counterparties and understood the relevant information such as the background of the transaction;
- (3) We reviewed the management's accounting of such transaction and verified the truthfulness and accuracy of the amounts of transaction;
- (4) We checked whether the presentation and disclosure relating to the transaction are appropriate

2. Revenue recognised using the percentage of completion method

Key audit matter

In 2017, COMEC recorded consolidated revenue of RMB22,313 million. Revenue recognised using the percentage of completion method accounted for RMB20,533 million or 92.02% of the consolidated revenue, which is significant in both amount and percentage of consolidated revenue. For the shipbuilding and offshore engineering products among the principal activities of COMEC, the contractual revenue and cost are recognised using the percentage of completion method in accordance with the requirements of the Accounting Standards for Business Enterprises No. 15 - Construction Contract. In using the percentage of completion method, the percentage of completion of contract is determined based on the accumulated contract cost already incurred to the total expected contract cost.

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

For details of the relevant information disclosed, please refer to note IV.25(1), note IV.32.g and note VI.50.

How the matter is addressed in auditing

Our key procedures include:

- (1) We understood and tested the policies, procedures, methods and relevant internal controls for the accounting of construction contracts of the Company, the determination of total revenue and total cost and the relevant changes.
- (2) Through the changes in revenue and cost from construction contracts recognised in the year and previous years, we identified and understood the reason for change.
- (3) We obtained a list of projects under construction, reviewed the relevant construction contracts, and checked the implementation of the contracts including the settlement and collection.
- (4) We obtained and reviewed a breakdown of expected total cost for projects under construction.
- (5) We tested the accounting estimates made by the management and the relevant basis and data.
- (6) In accordance with the audit procedures for inventories, we conducted on-site counting and cut-off tests for contracts uncompleted as at the end of the year.

IV. OTHER INFORMATION

The management of COMEC (the management) is responsible for the other information. The other information comprises the information included in the 2017 annual report of COMEC, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on COMEC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause COMEC to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within COMEC to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

ShineWing Certified Public Accountants LLP

Beijing, the PRC

Certified Public Accountant of China: Chen Gang (Project Partner)

Certified Public Accountant of China: Song Yong

29 March 2018

CONSOLIDATED BALANCE SHEET

31 December 2017

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

Unit: RMB

Item	Note VI	Ending balance	Balance at the beginning of the year
Current assets:			
Cash at bank and on hand	1	12,005,275,747.16	12,347,969,978.26
Settlement reserve		-	-
Placements with banks and non-bank financial institutions		-	-
Financial assets at fair value through profit or loss	2	6,602,255.91	-
Derivative financial assets		-	-
Notes receivable	3	157,166,528.30	122,945,274.57
Accounts receivable	4	1,541,228,808.18	1,280,968,787.17
Prepayments	5	2,475,182,224.91	2,372,345,688.47
Insurance premium receivable		-	-
Reinsurance premium receivable		-	-
Reserves for reinsurance contract receivable		-	-
Interest receivable	6	46,434,534.12	138,243,843.26
Dividends receivable		-	-
Other receivables	7	129,376,288.79	72,448,156.82
Financial assets purchased under agreements to resell		-	-
Inventories	8	10,339,936,296.32	12,349,605,017.16
Assets held for sale		-	-
Non-current assets due within one year	9	1,033,143,116.08	-
Other current assets	10	1,841,255,454.38	1,892,964,428.05
Total current assets		29,575,601,254.15	30,577,491,173.76
Non-current assets:			
Loans and advances granted		-	-
Available-for-sale financial assets	11	21,029,995.04	18,902,353.05
Held-to-maturity investments		-	-
Long-term receivables	12	460,059,537.09	478,791,643.97
Long-term equity investments	13	738,018,660.57	68,961,676.66
Investment properties	14	22,251,363.68	22,880,075.84
Fixed assets	15	10,146,480,696.50	10,906,714,094.44
Construction in progress	16	635,119,267.47	670,750,840.41
Construction materials		-	-
Disposal of fixed assets	17	31,132.31	2,572,359.05
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	18	1,884,667,938.27	2,000,393,192.52
Development expenses	19	-	-
Goodwill		-	-
Long-term prepaid expenses	20	14,954,894.47	17,049,706.48
Deferred tax assets	21	460,427,215.85	502,717,150.15
Other non-current assets	22	199,020,072.23	1,001,361,563.30
Total non-current assets		14,582,060,773.48	15,691,094,655.87
Total assets		44,157,662,027.63	46,268,585,829.63

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED BALANCE SHEET

31 December 2017

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

Unit: RMB

Item	Note VI	Ending balance	Balance at the beginning of the year
Current liabilities:			
Short-term borrowings	23	2,675,414,975.00	445,636,500.54
Loans from central bank		-	-
Deposits from customers and other banks		-	-
Placements from banks and other financial institutions		-	-
Financial liabilities at fair value through profit or loss	24	3,366,294.31	-
Derivative financial liabilities		-	-
Notes payable	25	1,772,284,568.59	1,916,069,525.06
Accounts payable	26	7,656,237,265.69	7,263,636,176.96
Advances from customers	27	650,869,010.03	596,195,202.34
Securities sold under agreements to repurchase		-	-
Fee and commission payable		-	-
Employee benefits payable	28	32,198,622.63	59,354,143.31
Taxes payable	29	72,479,741.43	127,111,097.76
Interest payable	30	13,010,817.17	11,109,426.83
Dividends payable	31	383,540.92	3,806,004.54
Other payables	32	234,291,737.22	358,190,436.06
Reinsured accounts payable		-	-
Reserves for insurance contracts		-	-
Brokerage for trading securities		-	-
Brokerage for underwriting securities		-	-
Liabilities held for sale		-	-
Non-current liabilities due within one year	33	4,482,400,000.00	5,675,200,000.00
Other current liabilities	34	5,544,483,602.13	8,814,232,495.28
Total current liabilities		23,137,420,175.12	25,270,541,008.68
Non-current liabilities:			
Long-term borrowings	35	8,142,857,000.00	8,338,557,000.00
Bonds payable		-	-
Including: Preference shares		-	-
Perpetual bonds		-	-
Long-term payables		-	-
Long-term employee benefits payable	36	263,749,760.23	279,398,049.27
Special payables	37	99,370,000.00	1,390,339,744.58
Estimated liabilities	38	534,814,956.27	510,937,159.71
Deferred income	39	31,895,704.27	67,514,328.51
Deferred tax liabilities	21	1,412,563.62	499,094.19
Other non-current liabilities		-	-
Total non-current liabilities		9,074,099,984.39	10,587,245,376.26
Total liabilities		32,211,520,159.51	35,857,786,384.94

CONSOLIDATED BALANCE SHEET

31 December 2017

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

Unit: RMB

Item	Note VI	Ending balance	Balance at the beginning of the year
Owners' equity:			
Share capital	40	1,413,506,378.00	1,413,506,378.00
Other equity instruments		-	-
Including: Preference shares		-	-
Perpetual bonds		-	-
Capital reserve	41	6,868,230,515.41	6,867,866,279.63
Less: Treasury shares		-	-
Other comprehensive income	42	-60,327,829.23	-60,441,217.45
Special reserve	43	2,010,677.96	929,231.60
Surplus reserve	44	962,441,825.31	952,284,741.72
Provision for general risks		-	-
Undistributed profit	45	1,228,681,091.09	1,173,657,685.44
Total equity attributable to shareholders of the Company		10,414,542,658.54	10,347,803,098.94
Minority interests	46	1,531,599,209.58	62,996,345.75
Total equity		11,946,141,868.12	10,410,799,444.69
Total liabilities and equity		44,157,662,027.63	46,268,585,829.63

Legal representative:

Person in charge of accounting:

Head of accounting department:

BALANCE SHEET OF THE COMPANY

31 December 2017

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

Unit: RMB

Item	Note XVII	Ending balance	Balance at the beginning of the year
Current assets:			
Cash at bank and on hand	1	513,258,307.19	118,028,234.52
Financial assets at fair value through profit or loss		-	-
Derivative financial assets		-	-
Notes receivable	2	100,000.00	1,949,644.23
Accounts receivable	3	34,815,043.87	40,039,348.35
Prepayments	4	1,861,905.00	15,853,238.36
Interest receivable	5	403,909.69	270,183.33
Dividends receivable		-	-
Other receivables	6	9,128,338.88	1,857,655.78
Inventories	7	131,196,488.58	145,497,894.81
Assets held for sale		-	-
Non-current assets due within one year	8	650,000,000.00	-
Other current assets	9	282,058,591.92	22,772,600.20
Total current assets		1,622,822,585.13	346,268,799.58
Non-current assets:			
Available-for-sale financial assets		-	-
Held-to-maturity investments		-	-
Long-term receivables	10	-	600,000,000.00
Long-term equity investments	11	7,902,205,154.63	8,535,717,482.56
Investment properties		-	-
Fixed assets	12	76,749,497.88	79,621,477.01
Construction in progress		-	-
Construction materials		-	-
Disposal of fixed assets	13	31,132.31	2,467,859.05
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	14	10,792,029.90	11,115,333.18
Development expenses		-	-
Goodwill		-	-
Long-term prepaid expenses	15	2,344.24	343,667.20
Deferred tax assets	16	20,000,000.00	20,000,000.00
Other non-current assets	17	2,776,042.97	-
Total non-current assets		8,012,556,201.93	9,249,265,819.00
Total assets		9,635,378,787.06	9,595,534,618.58

Legal representative:

Person in charge of accounting:

Head of accounting department:

BALANCE SHEET OF THE COMPANY

31 December 2017

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

Unit: RMB

Item	Note XVII	Ending balance	Balance at the beginning of the year
Current liabilities:			
Short-term borrowings	18	100,000,000.00	17,500,000.00
Financial liabilities at fair value through profit or loss		-	-
Derivative financial liabilities		-	-
Notes payable		-	-
Accounts payable	19	65,977,190.78	88,485,154.94
Advances from customers	20	55,310,128.61	77,013,708.94
Employee benefits payable	21	1,611,226.23	1,323,940.47
Taxes payable	22	4,115,201.43	3,497,568.96
Interest payable	23	339,166.67	339,166.66
Dividends payable	24	383,540.92	498,004.54
Other payables	25	29,876,357.49	22,045,279.71
Liabilities held for sale		-	-
Non-current liabilities due within one year	26	500,000,000.00	482,500,000.00
Other current liabilities		-	-
Total current liabilities		757,612,812.13	693,202,824.22
Non-current liabilities:			
Long-term borrowings	27	-	100,000,000.00
Bonds payable		-	-
Including: Preference shares		-	-
Perpetual bonds		-	-
Long-term payables		-	-
Long-term employee benefits payable		-	-
Special payables	28	99,370,000.00	99,370,000.00
Estimated liabilities	29	-	4,543,266.47
Deferred income		-	-
Deferred tax liabilities		-	-
Other non-current liabilities		-	-
Total non-current liabilities		99,370,000.00	203,913,266.47
Total liabilities		856,982,812.13	897,116,090.69
Owners' equity:			
Share capital	30	1,413,506,378.00	1,413,506,378.00
Other equity instruments		-	-
Including: Preference shares		-	-
Perpetual bonds		-	-
Capital reserve	31	6,147,927,729.10	6,147,927,729.10
Less: Treasury shares		-	-
Other comprehensive income		-	-
Special reserve		-	-
Surplus reserve	32	472,670,941.45	462,411,586.54
Undistributed profit	33	744,290,926.38	674,572,834.25
Total equity		8,778,395,974.93	8,698,418,527.89
Total liabilities and equity		9,635,378,787.06	9,595,534,618.58

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED INCOME STATEMENT

2017

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

Unit: RMB

Item	Note VI	Current year	Last year
I. Total operating income		22,313,381,938.04	23,349,604,897.69
Including: Operating income	50	22,313,381,938.04	23,349,604,897.69
Interest income		-	-
Premium earned		-	-
Fee and commission income		-	-
II. Total operating costs		23,193,293,047.25	23,487,474,127.48
Including: Operating costs	50	20,946,888,731.47	21,713,708,013.17
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	51	72,661,835.98	70,579,480.62
Selling expense	52	195,604,950.61	116,743,820.71
Administrative expense	53	1,256,121,621.24	1,395,560,018.97
Finance cost	54	528,776,547.46	-17,946,547.67
Loss on impairment of assets	55	193,239,360.49	208,829,341.68
Add: Gain on change in fair value (loss expressed with "-")	56	3,235,961.60	168,178,506.59
Investment income (loss expressed with "-")	57	147,443,555.81	-48,371,480.29
Including: Income from investment in associates and joint ventures		-1,600,524.97	1,779,996.01
Exchange gain (loss expressed with "-")		-	-
Gain on disposal of assets (loss expressed with "-")		-	-
Other income	58	38,794,966.24	-
III. Operating profit (loss expressed with "-")		-690,436,625.56	-18,062,203.49
Add: Non-operating income	59	864,049,578.41	216,170,412.85
Less: Non-operating expenses	60	5,131,442.86	78,673,400.06
IV. Total profit (loss expressed with "-")		168,481,509.99	119,434,809.30
Less: Income tax expense	61	67,842,358.71	32,746,647.37
V. Net profit (net loss expressed with "-")		100,639,151.28	86,688,161.93
(i) By continuity of operations			
1. Net profit from continuing operations (net loss expressed with "-")		96,004,796.16	86,688,161.93
2. Net profit from discontinued operations (net loss expressed with "-")		4,634,355.12	-
(ii) By ownership			
1. Gain or loss attributable to minority interests		12,842,559.99	15,463,911.50
2. Net profit attributable to shareholders of the Company		87,796,591.29	71,224,250.43

CONSOLIDATED INCOME STATEMENT

2017

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

Unit: RMB

Item	Note VI	Current year	Last year
VI. Net other comprehensive income after tax	62	112,712.71	-274,491.63
Net other comprehensive income after tax attributable to owners of the Company		113,388.22	-274,491.63
(i) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		-	-
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		113,388.22	-274,491.63
1. Share of other comprehensive income of investees that may 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		180,263.16	-274,491.63
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		-66,874.94	-
6. Others		-	-
Net other comprehensive income after tax attributable to minority interests		-675.51	-
VII. Total comprehensive income		100,751,863.99	86,413,670.30
Total comprehensive income attributable to owners of the Company		87,909,979.51	70,949,758.80
Total comprehensive income attributable to minority interests		12,841,884.48	15,463,911.50
VIII. Earnings per share:			
(i) Basic earnings per share	68	0.0621	0.0504
(ii) Diluted earnings per share	68	0.0621	0.0504

For business combinations under common control during the period, net realized profit of the acquiree prior to the combination is RMBnil. Net realized profit of the acquiree for the last year is RMBnil.

Legal representative:

Person in charge of accounting:

Head of accounting department:

INCOME STATEMENT OF THE COMPANY

2017

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

Unit: RMB

Item	Note XVII	Current year	Last year
I. Operating income	37	160,111,825.52	350,658,685.74
Less: Operating costs	37	167,104,576.80	334,955,811.42
Taxes and surcharges	38	2,689,987.40	2,547,690.28
Selling expense	39	3,756,904.29	15,316,862.10
Administrative expense	40	20,998,331.71	18,753,411.65
Finance cost	41	-4,117,668.03	-5,189,775.62
Loss on impairment of assets	42	-5,510,754.29	-7,015,656.92
Add: Gain on change in fair value (loss expressed with "-")		-	-
Investment income (loss expressed with "-")	43	105,903,507.33	93,600,910.09
Including: Income from investment in associates and joint ventures		825,284.83	-
Gain on disposal of assets (loss expressed with "-")		-	-
Other income	44	19,247,400.00	-
II. Operating profit (loss expressed with "-")		100,341,354.97	84,891,252.92
Add: Non-operating income	45	1,411,197.30	585,833.76
Less: Non-operating expenses	46	181,716.34	167,273.48
III. Total profit (loss expressed with "-")		101,570,835.93	85,309,813.20
Less: Income tax expense	47	-	136,610.76
IV. Net profit (net loss expressed with "-")		101,570,835.93	85,173,202.44
(i) Net profit from continuing operations (net loss expressed with "-")		101,570,835.93	85,173,202.44
(ii) Net profit from discontinued operations (net loss expressed with "-")		-	-
V. Net other comprehensive income after tax		-	-
(i) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		-	-
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 may 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		101,570,835.93	85,173,202.44
VII. Earnings per share			
(i) Basic earnings per share			
(ii) Diluted earnings per share			

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED CASH FLOW STATEMENT

2017

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

Unit: RMB

Item	Note VI	Current year	Last year
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		20,083,575,295.10	21,354,323,773.86
Net increase in deposits from customers and deposits from other banks		-	-
Net increase in loans from central bank		-	-
Net increase in placements from other financial institutions		-	-
Cash receipts of premium for direct insurance contracts		-	-
Net cash received from reinsurance business		-	-
Net increase in deposits from insurance policy holders and investment		-	-
Net increase in disposal of financial assets at fair value through profit or loss		-	-
Cash receipts of interest, fees and commissions		-	-
Net increase in placements from other financial institutions		-	-
Net increase in sales and repurchase operations		-	-
Cash received from tax refund		800,174,323.59	1,116,311,913.86
Other cash receipts relating to operating activities	71	1,319,614,878.76	969,679,043.91
Sub-total of cash inflows from operating activities		22,203,364,497.45	23,440,314,731.63
Cash paid for goods and services		20,010,384,120.69	24,139,621,338.89
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		2,095,207,316.46	2,277,206,344.37
Payments of taxes		251,588,944.34	304,265,173.79
Other cash payments relating to operating activities	71	693,401,010.12	480,295,509.75
Sub-total of cash outflows from operating activities		23,050,581,391.61	27,201,388,366.80
Net cash flow from operating activities		-847,216,894.16	-3,761,073,635.17
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		501,875,000.00	2,060,000,000.00
Cash receipts from investment income		60,897,959.25	108,028,335.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,893,659.65	3,041,211.69
Net cash received from disposal of subsidiaries and other business units		469,927,404.87	593,689,815.00
Other cash receipts relating to investing activities	71	2,912,865,141.44	13,303,365,260.32
Sub-total of cash inflows from investing activities		3,948,459,165.21	16,068,124,622.07
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		630,294,242.24	802,992,946.89
Cash paid for investments		229,983,128.40	2,367,376,657.44
Net increase in pledged loans		-	-
Net cash paid for acquisition of subsidiaries and other business units		-	-
Other cash payments relating to investing activities	71	956,809,125.23	7,104,805,539.63
Sub-total of cash outflows from investing activities		1,817,086,495.87	10,275,175,143.96
Net cash flow from investing activities		2,131,372,669.34	5,792,949,478.11

CONSOLIDATED CASH FLOW STATEMENT

2017

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

Unit: RMB

Item	Note VI	Current year	Last year
III. Cash flows from financing activities:			
Cash receipts from receiving investments		-	-
Including: Cash received by subsidiaries from receiving investments made by minority interest		-	-
Cash receipts from borrowings obtained		9,775,420,395.40	12,958,871,619.31
Cash receipts from issuance of bonds		-	-
Other cash receipts relating to financing activities	71	168,640,000.00	205,503,813.33
Sub-total of cash inflows from financing activities		9,944,060,395.40	13,164,375,432.64
Cash paid for repayment of debts		9,023,654,887.80	14,217,245,809.10
Cash paid for dividends, profit distribution or interest expenses		431,210,014.58	753,864,000.21
Including: Dividends and profits paid by subsidiaries to minority interests		6,876,000.00	395,200.00
Other cash payments relating to financing activities		-	-
Sub-total of cash outflows from financing activities		9,454,864,902.38	14,971,109,809.31
Net cash flow from financing activities		489,195,493.02	-1,806,734,376.67
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-228,239,916.27	427,648,306.03
V. Net increase in cash and cash equivalents		1,545,111,351.93	652,789,772.30
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		11,430,546,720.41	9,885,435,368.48

Legal representative:

Person in charge of accounting:

Head of accounting department:

CASH FLOW STATEMENT OF THE COMPANY

2017

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

Unit: RMB

Item	Note XVII	Current year	Last year
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		177,319,751.75	774,197,975.52
Cash received from tax refund		13,883,686.22	74,859,331.27
Other cash receipts relating to operating activities	53	84,961,536.15	26,469,710.30
Sub-total of cash inflows from operating activities		276,164,974.12	875,527,017.09
Cash paid for goods and services		153,777,564.74	1,077,727,492.21
Cash paid to and on behalf of employees		39,097,799.92	50,902,095.52
Payments of taxes		9,007,025.04	15,190,485.79
Other cash payments relating to operating activities	53	77,569,461.44	42,187,066.82
Sub-total of cash outflows from operating activities		279,451,851.14	1,186,007,140.34
Net cash flow from operating activities		-3,286,877.02	-310,480,123.25
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		741,158,500.00	-
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		288,200.00	-
Net cash received from disposal of subsidiaries and other business units		-	-
Other cash receipts relating to investing activities	53	544,064,076.41	1,188,488,969.20
Sub-total of cash inflows from investing activities		1,314,790,824.83	1,282,089,879.29
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		236,787.22	1,316,317.73
Cash paid for investments		30,000,000.00	3,367,252,991.39
Net cash paid for acquisition of subsidiaries and other business units		-	-
Other cash payments relating to investing activities	53	820,000,000.00	117,500,000.00
Sub-total of cash outflows from investing activities		850,236,787.22	3,486,069,309.12
Net cash flow from investing activities		464,554,037.61	-2,203,979,429.83
III. Cash flows from financing activities:			
Cash receipts from receiving investments		-	-
Cash receipts from borrowings obtained		500,000,000.00	87,500,000.00
Cash receipts from issuance of bonds		-	-
Other cash receipts relating to financing activities		-	-
Sub-total of cash inflows from financing activities		500,000,000.00	87,500,000.00
Cash paid for repayment of debts		500,000,000.00	155,000,000.00
Cash paid for dividends, profit distribution or interest expenses		34,619,605.32	54,856,938.99
Other cash payments relating to financing activities		-	-
Sub-total of cash outflows from financing activities		534,619,605.32	209,856,938.99
Net cash flow from financing activities		-34,619,605.32	-122,356,938.99
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-1,417,482.60	657,700.60
V. Net increase in cash and cash equivalents		425,230,072.67	-2,636,158,791.47
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		513,258,307.19	88,028,234.52

Legal representative:

Person in charge of accounting:

Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2017

Unit: RMB

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

Item	Current year													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Minority interests	Shareholders Total equity
I. Ending balance of the previous year	1,413,506,378.00	-	-	-	6,887,856,279.63	-	-60,441,217.45	929,231.60	929,231.60	952,284,741.72	-	1,173,657,685.44	62,895,345.75	10,410,799,444.69
Add: Changes in accounting policies														
Correction of previous errors														
Business combination under common control														
Others														
II. Beginning balance of the year	1,413,506,378.00	-	-	-	6,887,856,279.63	-	-60,441,217.45	929,231.60	929,231.60	952,284,741.72	-	1,173,657,685.44	62,895,345.75	10,410,799,444.69
III. Increase/Decrease for the year														
(Decrease) expressed with "+/-"														
(i) Total comprehensive income	-	-	-	-	364,235.78	-	113,888.22	1,081,446.36	1,081,446.36	10,157,083.59	-	55,023,403.65	1,468,802,853.83	1,535,942,423.43
(ii) Capital paid in and reduced by shareholders	-	-	-	-	-	-	113,888.22	-	-	-	-	87,795,591.29	12,841,884.48	100,751,863.99
1. Ordinary shares paid by shareholders	-	-	-	-	364,235.78	-	-	-	-	-	-	-	1,461,516,316.68	1,461,880,552.46
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	1,906,572.10	1,906,572.10
3. Amount of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	364,235.78	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	10,157,083.59	-	-32,773,185.64	-5,755,337.33	1,459,873,980.06
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	10,157,083.59	-	-10,157,083.59	-	-28,371,433.38
2. Transfer to provision for general risks	-	-	-	-	-	-	-	-	-	-	-	-22,616,102.05	-5,755,337.33	-28,371,433.38
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	1,081,446.36	1,081,446.36	-	-	-	-	1,081,446.36
1. Transfer in the year	-	-	-	-	-	-	-	79,447,036.30	79,447,036.30	-	-	-	-	79,840,637.57
2. Utilisation in the year	-	-	-	-	-	-	-	-78,365,651.94	-78,365,651.94	-	-	-	-	-833,539.27
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-78,759,191.21
IV. Ending balance of the year	1,413,506,378.00	-	-	-	6,888,230,515.41	-	-60,327,829.23	2,010,677.96	2,010,677.96	962,441,825.31	-	1,228,881,091.09	1,331,599,209.38	11,946,141,868.12

Head of accounting department:

Person in charge of accounting:

Legal representative:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2017

Unit: RMB

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

Item	Last year													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Minority interests	Shareholders Total equity
I. Ending balance of the previous year	1,413,506,378.00	-	-	-	6,897,585,222.21	-	-	-60,166,725.82	-	943,767,421.48	-	1,153,355,946.59	50,808,871.03	10,388,657,113.49
Add: Changes in accounting policies														
Correction of previous errors														
Business combination under common control														
Others														
II. Beginning balance of the year	1,413,506,378.00	-	-	-	6,897,585,222.21	-	-	-60,166,725.82	-	943,767,421.48	-	1,153,355,946.59	50,808,871.03	10,388,657,113.49
III. Increase/Decrease for the year (Decrease expressed with "-")														
(i) Total comprehensive income	-	-	-	-	281,057.42	-	-	-274,491.63	929,231.60	8,517,320.24	-	20,301,738.85	12,387,474.72	42,142,931.20
(ii) Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-274,491.63	-	-	-	71,224,250.43	15,463,911.50	86,413,670.30
1. Ordinary shares paid by shareholders	-	-	-	-	281,057.42	-	-	-	-	-	-	-	-	281,057.42
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	281,057.42	-	-	-	-	-	-	-	-	281,057.42
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	8,517,320.24	-	-50,922,511.58	-3,076,436.78	-45,481,628.12
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	8,517,320.24	-	-8,517,320.24	-	-
2. Transfer to provision for general risks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-42,405,191.34	-3,076,436.78	-45,481,628.12
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	929,231.60	-	-	-	-	929,231.60
1. Transfer in the year	-	-	-	-	-	-	-	-	48,902,892.75	-	-	-	-	48,902,892.75
2. Utilisation in the year	-	-	-	-	-	-	-	-	-47,973,721.15	-	-	-	-	-47,973,721.15
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the year	1,413,506,378.00	-	-	-	6,897,866,279.63	-	-	-60,441,217.45	929,231.60	952,284,741.72	-	1,173,657,685.44	62,895,345.75	10,410,799,444.69

Legal representative: Head of accounting department:

Person in charge of accounting:

Head of accounting department:

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2017

Unit: RMB

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

Item	Current year										Total equity	
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit		
I. Ending balance of the previous year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	482,411,586.54	674,572,834.25	-	8,688,416,527.89
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of previous errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	482,411,586.54	674,572,834.25	-	8,688,416,527.89
III. Increase/Decrease for the year (Decrease expressed with "-")	-	-	-	-	-	-	-	-	-	-	-	-
(i) Total comprehensive income	-	-	-	-	-	-	-	-	10,289,354.91	68,718,192.13	-	79,977,447.04
(ii) Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	101,570,835.93	-	101,570,835.93
1. Ordinary shares paid by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payments recognised	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	10,157,083.59	-32,773,185.64	-	-22,616,102.05
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	10,157,083.59	-10,157,083.59	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-22,616,102.05	-	-22,616,102.05
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer in the year	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation in the year	-	-	-	-	-	-	-	-	-	-	-	-
(vi) Others -	-	-	-	-	-	-	-	-	102,271.32	920,441.84	-	1,022,713.16
IV. Ending balance of the year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	472,670,944.45	744,290,326.38	-	8,778,995,974.93

Head of accounting department:

Person in charge of accounting:

Legal representative:

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2017

Unit: RMB

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

Item	Last year										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
I. Ending balance of the previous year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	453,894,286.30	640,322,143.39	8,655,650,516.79
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of previous errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	453,894,286.30	640,322,143.39	8,655,650,516.79
III. Increase/Decrease for the year (Decrease expressed with "-")											
(i) Total comprehensive income	-	-	-	-	-	-	-	-	8,517,320.24	34,250,690.88	42,768,011.10
(ii) Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	85,173,202.44	85,173,202.44
1. Ordinary shares paid by shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	8,517,320.24	-50,922,511.58	-42,405,191.34
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	8,517,320.24	-3,517,320.24	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-42,405,191.34	-42,405,191.34
3. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Transfer in the year	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation in the year	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	462,411,586.54	674,572,834.25	8,698,416,927.89

Head of accounting department:

Person in charge of accounting:

Legal representative:

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

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

I. BACKGROUND INFORMATION

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

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

Pursuant to a resolution of 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 (Zheng Jian Xu Ke [2014] No.117) issued by the China Securities Regulatory Commission, 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 was 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 as Han Guangde.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

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

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group include the Company and its 24 subsidiaries, including: Guangzhou Shipyard International Company Limited (“GSI”), Guangzhou Longxue Pipe Co., Ltd. (“Pipe Company”), Guangzhou Xingshun Marine Services Co., Ltd. (“Xingshun”), Guangzhou United Steel Structures Limited (“United Steel”), Guangdong GSI Elevator Co., Ltd. (“GSI Elevator”), Guangzhou Hongfan Technology Co., Ltd. (“Hongfan Technology”), Guangzhou Guangli Shipbuilding Human Resources Service Company Limited (“Guangli”), Guangzhou Hongfan Hotel Limited (“Hongfan Hotel”), Glory Group Development Limited (“Glory Group”), Fonkwang Development Limited (“Fonkwang”), Guangchuan Large-scale Machinery and Equipment Co., Ltd. (“Large-scale Machinery”), Zhongshan GSI Marine Engineering Company Limited (“Zhongshan GSI”), CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”), Guangzhou Huangchuan Ocean Engineering Co. Ltd (“Huangchuan Ocean Engineering”), Zhanjiang Nanhai Ship Hi-Tech Services Ltd. (“Zhanjiang Nanhai”), Guangzhou Xinhang Human Resources Service Co., Ltd. (“Xinhang”), Guangzhou Longxue Properties Co., Ltd. (“Longxue Properties”), Guangzhou Wenchong Shipyard Co. Ltd. (“Wenchong Shipyard”), Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd. (“Wenchong Bingshen”), Guangzhou Wenchuan Heavy Industrial Co. Ltd. (“Wenchuan Heavy Industrial”), Guangzhou Xingji Maritime Engineering Design Co., Ltd. (“Xingji”), Wah Shun International Marine Limited (“Wah Shun”), Wah Loong International Marine Limited (“Wah Loong”) and CSSC (Guangzhou) New Energy Co., Ltd. (“CSSC New Energy”). Compared to last year, the number of subsidiaries decreased by 2 due to the deregistration of Fonkwang (Macau) Development Single Person Co., Ltd. (“Fonkwang Macau”) and Guangzhou Shipyard International Marine Engineering Co., Ltd. (“GSI Marine Engineering”) and by 1 due to the disposal of GSI Yangzhou Co., Ltd. (“GSI Yangzhou”) with loss of control, and increased by 3 as a result of Wah Shun, Wah Loong and CSSC New Energy which were newly established during the year.

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of preparation

Based on going-concern assumption and transactions and events actually occurred, the consolidated financial statements of the Group have been prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, (hereinafter referred to as the “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 (the “CSRC”), the applicable disclosures required by Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the accounting policies and estimation as described in “IV. Significant Accounting Policies and Estimates” 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 31 December 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”).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

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

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

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

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

6. Preparation of consolidated financial statements

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

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017
(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

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.

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 transactions and translation of foreign currency financial statements

(1) 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.

(2) Translation of foreign currency financial statements

The Group prepares and presents the financial statements of operating entities for which foreign currency are their functional currencies within the scope of consolidation in Renminbi through translation.

- 1) assets and liabilities items in foreign currency balance sheet date are translated using the exchange rate as at the balance sheet date. Owners' equity items, other than "undistributed profit", are translated using the exchange rate as at the date on which the business takes place.
- 2) income and expenses items in the income statement are translated using the average of the exchange rates at the beginning of the year and the end of the year.
- 3) The translation difference arising from such translation into foreign currency statements is shown under other comprehensive income.
- 4) foreign currency cash flows are translated using the average of the exchange rates at the beginning of the year and the end of the year. The effect of changes in exchange rates on cash and cash equivalents is presented separately in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

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

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 financial assets held-for-trading 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 amortization process.

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

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

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

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

(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 financial liabilities held-for-trading 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.

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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.

(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.

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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 capital reserve. 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.

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.

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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.

15. Investment properties

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

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

Type	Useful life (year)	Estimated residual value ratio (%)	Annual depreciation rate (%)
Buildings and structures	45-70	3	1.39-2.16

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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 reach 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.

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 amortization amount is accounted into related assets and current profit and loss. The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

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

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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 slideway 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 amortization period of plant renovation expense and berth slideway renovation expense ranges from 2-6 years.

22. Employee benefits

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

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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.

Huangpu Wenchong and Wenchong Shipyard, both subsidiaries of the Company, have in place defined benefit plans. 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.

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.

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25. Principles and measurement method for revenue recognition

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

(1) Shipbuilding and offshore engineering products

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

When the outcome of a construction contract can be estimated reliably at the balance 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.

(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.

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(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.

The government grants received by the Group include research grant, construction grant, insurance grant and interest subsidy, etc. Government grants relating to assets are the government subsidy used in the generation of long-term assets through construction or others. Grants relating to revenue are the government subsidy other than grants relating to assets. If related government documents do not specify the objective of the grants, the Group will make determination in accordance with the aforesaid principles. If they are difficult to determine, they will be classified as government grants relating to revenue.

If a government grant is a monetary asset, it is measured at actual received amount; if the amount is fixed or there is reasonable evidence as at the end of the year which indicates legal compliance is satisfied and amount is likely to be received in the future, it is measured at receivable amount. If the fair value of a non-monetary asset cannot be determined in a reliable way, it is measured at its nominal amount (RMB1).

Government grants relating to assets such as construction and investment grants are recognised as deferred income, which are included in profit or loss for the current period by instalments over the useful life of the assets using the average useful life method.

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 for the current period for disposal of the asset.

Government grants relating to revenue such as research grant and insurance grant which are utilised to cover the relevant costs or losses for future periods are recognised as deferred income and are included in the profit or loss for the period in which the relevant costs or losses are recognised or offset the relevant costs. Government grants relating to day-to-day activities are included in other income or offset the relevant costs based on the substance of economic activities. Government grants not relating to day-to-day activities are included in non-operating income.

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, in accordance with the following principles:

- (1) Where the interest subsidy is paid to the lending bank which provides loan to the Group at a preferential interest rate, the Group recognises the loan at the actual amount of loan received and the interest expense is calculated based on the principal of the loan and the preferential interest rate.
- (2) Where the interest subsidy is directly paid to the Group, the interest subsidy is utilised to offset the interest expense.

If any government grant recognised by the Group is required to be returned, the accounting treatments shall be conducted for the period of return in accordance with the following:

- 1) if the government grant is utilised to offset the carrying value of the relevant assets at initial recognition, the carrying value of the assets shall be adjusted.
- 2) any deferred income is utilised to offset the book balance of the relevant deferred income and any excess is included in profit or loss for the current period.
- 3) under any other circumstances, they are included in profit for loss for the current period.

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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. Available-for-sale

- (1) The Group classifies non-current assets or disposal group that meet the following criteria as available-for-sale: 1) Disposable immediately under current conditions based on similar transactions for disposals of such assets or practices for the disposal group; 2) Probable disposal; that is, a decision has been made on a plan for disposal and an undertaking to purchase has been obtained, and the disposal is expected to be completed within a year. Relevant approval is required for disposals requiring approval of relevant authorities or regulators as required by relevant regulations. Before the Group classifies non-current assets or disposal groups as held as available-for sale for the first time, the book value of each asset and liability of the non-current assets or disposal group is measured according to the requirements of the relevant accounting standards. On initial measurement or remeasurement on the date of the balance sheet of held as available-for-sale non-current assets or disposal group, where book value is higher than the net value of fair value less disposal expenses, the difference between book value and the net value of fair value less disposal expenses is recognised as asset impairment loss in profit and loss in the current period, and at the same time, provision is made for impairment of held as available-for-sale asset.
- (2) Non-current assets or disposal groups which the Group acquired specifically for disposal, satisfy the requirement of "expected completion of disposal within one year" on the date of acquisition, and is probable to satisfy conditions of other available-for-sale classifications in the short term (usually within 3 months) are classified as available-for-sale on the date of acquisition. At initial measurement, the initial measurement assuming that it is not classified as held-for-sale and the net value of fair value less disposal expenses are compared, and the lower of the two is measured. Other than non-current assets or disposal groups acquired through corporate merger, the difference arising from recognising the net value of fair value of non-current assets or disposal groups less disposal expenses as initial measurement is recognised in profit and loss in the current period.
- (3) Where the Group has lost control of a subsidiary due to reasons such as disposal of investment in a subsidiary, regardless of the Group retaining part equity investment after the disposal, upon the investment in subsidiary intended to be disposed of satisfying the conditions for classification as held as available-for-sale, the investment in subsidiary will be generally classified as held as available-for-sale in the parent's separate financial statements, and all assets and liabilities of the subsidiary is classified as held as available-for-sale in the consolidated financial statements.
- (4) Where there is increase in net value of fair value less disposal expenses for non-current assets held as available-for-sale on subsequent balance sheet dates, the previously charged difference should be recovered and reversed in asset impairment loss recognised after classification as held as available-for-sale investment, with the reversal amount recognised in profit and loss in the current period. Asset impairment loss recognised before classification as held as available-for-sale investment is not reversible.
- (5) Asset impairment loss recognised for disposal groups held as available-for-sale is first offset against the book value of goodwill of the disposal group and then offset against the book values proportionally according to the share of book value of each non-current asset.

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Where there is increase in net value of fair value less disposal expenses of held as available-for-sale disposal groups subsequent to the balance sheet date, the previously charged difference should be recovered and reversed in asset impairment loss of non-current assets recognised as required by the appropriate relevant measurement after classification as held as available-for-sale investment, with the reversal amount recognised in profit and loss in the current period. Offset goodwill book value and asset impairment loss recognised before classification as held as available-for-sale investment are not reversible.

Reversal amount after recognition of asset impairment loss of held as available-for-sale disposal group other than goodwill in the disposal group should be added proportionally based on the book value share to the book value of each non-current asset.

- (6) No provision for depreciation or amortisation of non-current assets held as available-for-sale non-current assets or disposal groups, and interest on liabilities and other expenses of disposal groups held as available for sale continues to be recognised.
- (7) When non-current assets or disposal groups held for sale are no longer classified as held as available for sale or non-current assets are removed from disposal groups held as available-for-sale, measurement is performed based on the lower of the following: (1) book value prior to classification as held as available-for-sale adjusted by recognition of depreciation, amortisation or impairment assuming there was no classification as held as available-for-sale; (2) recoverable amount.
- (8) Upon derecognition of non-current assets or disposal groups held for sale, unrecognised gain or loss is recognised in profit or loss in the current period.

30. Discontinued operations

Discontinued operations refer to components of the Group which satisfies the following conditions and can be independently distinguished, and such components has been disposed of or classified as held as available-for-sale: (1) the component represents an independent major business or an independent major region of activity; (2) the component is an intended disposal of part of a relevant plan of an independent major business or an independent major region of activity; (3) the component is a subsidiary acquired specifically for resale.

31. 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.

32. 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 amortization 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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33. Changes in significant accounting policies and accounting estimates

(1) Changes 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 changes in accounting policies on the financial statements of the Group for the year 2017 were an increase in the “Other income” item of RMB38,794,966.24, a decrease in the “Administrative expenses” item of RMB95,072,303.40, a decrease in the “Selling expenses” item of RMB87,470,000.00, a decrease in the “Finance costs” item of RMB45,070,000.00, and a decrease in the “Non-operating income” item of RMB266,407,269.64.

(2) Changes in significant accounting estimates

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

V. TAXATION

1. Main taxes and rates

Type	Tax basis	Tax rate
PRC enterprise income tax	Taxable income	15%, 20%, 25%
Hong Kong profits tax	Taxable income	16.5%
Macau income tax	Taxable income	12%
Value-added tax	Domestic sales; provision of processing, repair and repair services; rental income	17%
	Revenue from construction and installation business	11%
	Modern services industry	6%
Urban 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 and deregistered in the year
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprise
Other subsidiaries	25%	

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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.

(2) Enterprise income tax

Hongfan Technology, a subsidiary of the Company, passed the certification of first batch of high-tech enterprises in 2014 with a validity period of three years. In 2017, Hongfan Technology re-applied for the hi-tech enterprise certification, and the National High-tech Enterprise Certification Management Leading Group Office released the list of proposed high-tech enterprises online on 19 November 2017 for display for a period of 10 working days. Currently the display period has expired. As at the date of this report, the Company has not received the hi-tech enterprise certificate. However, the Company considered that it will be able to obtain the certificate before the tax payment. As such, its income tax for 2017 continued to be paid at 15%.

Huangpu Wenchong, 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 2017 shall be paid at a rate of 15%;

GSI and Wenchong Shipyard, 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 2017 shall continue to be paid at a rate of 25% as the Company had not chosen the favourable tax treatments.

(3) Property tax

On 29 December 2017, Guangzhou Huangpu Local Taxation Bureau issued the Taxation Matter Notice (Pu Shui Tong [2017] No. 26471), which states that Wenchong Shipyard, a subsidiary of the Company, was granted a preferential taxation treatment of 50% reduction in property tax in the amount of RMB1,358,867.30 in accordance with the Interim Regulations for Property Tax of the People's Republic of China.

(4) Land use tax

On 10 January 2018, Guangzhou Huangpu Local Taxation Bureau issued the Taxation Matter Notice (Pu Shui Tong [2018] No. 679), which states that Wenchong Shipyard, a subsidiary of the Company, was granted a preferential taxation treatment of 50% reduction in land use tax in the amount of RMB878,008.30 in accordance with the Decision of the State Council on Amending the Interim Regulations for the Urban Land Use Tax of the People's Republic of China.

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VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the following disclosed financial statement data, unless specifically noted, "Beginning Balance" refers to the amount as at 1 January 2017; and "Ending Balance" refers to the amount as at 31 December 2017. "Current Year" refers to the period from 1 January 2017 to 31 December 2017; "Last Year" refers to the period from 1 January 2016 to 31 December 2016. The currency is in RMB.

1. Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash	233,753.83	463,241.63
Bank deposits	11,430,232,481.58	9,884,636,728.42
Other cash at bank and on hand	574,809,511.75	2,462,870,008.21
Total	12,005,275,747.16	12,347,969,978.26
Including: Total amount deposited overseas	119,318,183.64	225,936,178.01

Note 1: Included in the other cash at bank and on hand of the Group were ending balance of credit card deposit and gift cards of RMB80,485.00 (beginning balance: RMB69,785.00); bank drafts of RMB0.00 (beginning balance: RMB265,613.43); letter of guarantee and deposit for letter of credit of RMB141,283,903.38 (beginning balance: RMB594,060,933.44); deposit for construction of RMB6,423,779.98 (beginning balance: RMB5,092,920.54); fixed deposit pledged for long-term and short-term mortgage loans of RMB204,916,860.00 (beginning balance: RMB197,252,094.37), which will be released upon repayment; total time deposits with a term of over 3 months amounted to RMB0.00 (beginning balance: RMB1,450,411,320.00); deposit for bank acceptance bills of RMB200,000,000.00 (beginning balance: RMB200,000,000.00); employee housing funds of RMB12,629,893.39 (beginning balance: RMB15,717,341.43); and exchange trading deposit of RMB9,474,590.00 (beginning balance: RMB0.00).

Note 2: The amount deposited overseas of the Group at the end of the year is the deposit of its Hong Kong subsidiaries.

2. Financial assets at fair value through profit or loss

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

Item	Ending balance	Beginning balance
Financial assets held-for-trading	6,602,255.91	
Including: Forward exchange contracts	6,602,255.91	
Total	6,602,255.91	

(2) Financial assets held-for-trading are analysed as follows:

Item	Fair value at the end of the year	Fair value at the beginning of the year
Listed		
Unlisted	6,602,255.91	
Total	6,602,255.91	

The Group's financial assets at fair value through profit and loss are all forward exchange contracts. At measurement date, the public quoted prices of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The debt rate published by the PBC is chosen to be discount rate. The fair value is calculated according to the formula as follows.

As for forward foreign exchange settlement contract, choose the highest price to be input value, fair value=exchange price x (contract rate – public rate)/discount rate^{Number of years}.

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

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

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3. Notes receivable

(1) Types of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	47,007,128.30	111,968,354.58
Commercial acceptance bills	110,159,400.00	10,976,919.99
Total	157,166,528.30	122,945,274.57

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

(2) Notes receivable pledged as at the end of the year: None.

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

Item	Amount derecognised as at the end of the year	Amount not derecognised as at the end of the year
Bank acceptance bills	89,998,085.40	
Commercial acceptance bills		79,659,400.00
Total	89,998,085.40	79,659,400.00

(4) Notes transferred to accounts receivable at the end of year due to non-performance of issuers: None.

4. Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	1,562,283,924.40	1,312,727,362.83
Less: Provision for bad debts	21,055,116.22	31,758,575.66
Net amount	1,541,228,808.18	1,280,968,787.17

(1) The ageing analysis of accounts receivable by the transaction date (including accounts receivable from related parties) is as follows:

Ageing	Ending balance			Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage (%)	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	1,169,165,310.01	5,811,972.59	0.50	921,591,190.56	4,602,120.49	0.50
1-2 years	257,009,022.98	1,296,222.24	0.50	327,841,342.80	16,670,168.94	5.08
2-3 years	110,371,726.65	545,830.58	0.50	28,494,054.02	212,222.62	0.74
3-4 years	7,008,378.15	4,081,276.19	58.23	14,734,622.57	291,563.68	1.98
4-5 years	7,278,985.47	3,747,170.85	51.48	9,859,520.44	4,502,160.91	45.66
Over 5 years	11,450,501.14	5,572,643.77	48.67	10,206,632.44	5,480,339.02	53.69
Total	1,562,283,924.40	21,055,116.22	1.35	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				Net amount	Beginning balance				Net amount
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Accounts receivable which are individually significant and for which provision for bad debts is made on an individual basis						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	1,548,944,424.04	99.15	7,715,615.86	0.50	1,541,228,808.18	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	13,339,500.36	0.85	13,339,500.36	100.00		14,481,664.67	1.10	14,481,664.67	100.00	
Total	1,562,283,924.40	-	21,065,116.22	-	1,541,228,808.18	1,312,727,382.83	-	31,758,575.66	-	1,280,968,787.17

Description: Wenchong Shipyard, a subsidiary of the Company, had accounts receivable from Shenzhen Shunchang Ocean Fishery Co., Ltd. ("Shunchang Ocean", a ship owner) in the amount of RMB18,128,000. Under an agreement entered into between Wenchong Shipyard and Shunchang Ocean, the receivable will be repaid over 10 years. As at the end of the year, RMB500,000 had been recovered in accordance with the agreement. Wenchong Shipyard transferred the accounts receivable into long-term receivables and transferred the provision for bad debts to provision for bad debts for long-term receivables.

1) 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 1 year	1,170,499,524.22	5,823,391.35	0.50
1-2 years	256,854,817.62	1,284,274.09	0.50
2-3 years	110,928,668.29	554,643.34	0.50
3-4 years	2,362,740.74	11,813.71	0.50
4-5 years	6,250,618.26	31,253.09	0.50
Over 5 years	2,048,054.91	10,240.28	0.50
Total	1,548,944,424.04	7,715,615.86	-

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- 2) 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 year

Name	Ending balance			Reasons for provision
	Accounts receivable	Provision for bad debts	Percentage (%)	
TENOVA AUSTRALIA PTY LTD	3,991,468.02	3,991,468.02	100	Difficult to recover
Guangzhou Huayu Electromechanical . Equipment Co., Ltd	3,549,843.68	3,549,843.68	100	The counterparty lost the suit but has no executable property
WHL-FONKWANG	2,662,054.68	2,662,054.68	100	Long overdue and there are signs of impairment
Chongqing Yuandong Fushi Electromechanical Company	894,670.00	894,670.00	100	Long ageing, with risk of collection.
Fuzhou Hongjia Electronic Technology Company	593,118.00	593,118.00	100	Long ageing, with risk of collection.
Chongqing South Group Company	263,698.87	263,698.87	100	There is dispute about the amount owed
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100	Long ageing, with risk of collection.
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100	Long ageing, with risk of collection.
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100	Long ageing, with risk of collection.
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100	Long ageing, with risk of collection.
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100	Long ageing, with risk of collection.
Wuhan Yujia Property Co., Ltd.	105,500.00	105,500.00	100	Long ageing, with risk of collection.
14 others	487,072.27	487,072.27	100	Long ageing, with risk of collection.
Total	13,339,500.36	13,339,500.36	-	-

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

Provision for bad debts made during the year amounted to RMB1,440,866.37; provision for bad debts released or reversed during the year amounted to RMB604,988.00.

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

Name	Amount reversed (or recovered) during the year	Recovery method	Reason for reversal (or recovery) during the year
China Railway 12th Bureau Group Co., Ltd.	138,281.00	Cash receipts	Receipt of goods payment through negotiations
Fuzhou Hongjia Electronic Technology Company	60,070.00	Cash receipts	Receipt of goods payment through negotiations
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	406,637.00	Cash receipts	Partial receipt of goods payment
Total	604,988.00		-

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

Item	Amount written-off
Accounts receivable written-off	600,520.00

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

Name	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Entity 1	Third party	200,917,109.10	Within 3 years	12.86	1,004,585.55
Entity 2	Third party	124,949,174.30	1-3 years	8.00	624,745.87
Entity 3	Third party	121,210,137.80	Within 2 years	7.76	606,050.69
Entity 4	Third party	87,125,312.32	Within 1 year	5.58	435,626.56
Entity 5	Third party	56,847,540.00	Within 1 year	3.64	284,237.77
Total		591,049,273.52		37.83	2,955,246.44

5. Prepayments

(1) Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,336,429,447.23	53.99	1,087,901,918.19	45.86
1-2 years	348,509,967.81	14.08	955,452,924.43	40.27
2-3 years	621,256,064.47	25.10	298,105,096.33	12.57
Over 3 years	168,986,745.40	6.83	30,885,749.52	1.30
Total	2,475,182,224.91	–	2,372,345,688.47	–

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

Name	Relationship with the Company	Amount	Including: Over one year	Percentage of amount aged over one year to total advances to suppliers (%)	Ageing	Reason for unsettlement
EMER INTERNATIONAL LIMITED	Third party	320,519,970.03	311,025,199.03	12.57	0-3 years	Large equipment received in batches and not inspected and accepted
China Shipbuilding Trading Shanghai Co., Ltd.	Under common control of CSSC	246,377,251.89	242,655,526.89	9.80	0-over 3 years	Equipment received in batches and not inspected and accepted
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Under common control of CSSC	448,706,437.43	74,390,299.95	3.01	0-2 years	Equipment received in batches and not inspected and accepted
Poly Technologies Inc.	Third party	94,165,934.62	60,774,377.80	2.46	0-3 years	Large equipment received in batches and not inspected and accepted
Drass Energy Srl	Third party	202,843,490.45	48,455,210.31	1.96	0-2 years	Large equipment received in batches and not inspected and accepted
WARTSILA FINLAND OY	Third party	114,962,036.55	40,266,252.86	1.63	0-over 3 years	Large equipment received in batches and not inspected and accepted
China North Industries Corp.	Third party	83,245,528.30	38,216,128.30	1.54	0-2 years	Equipment received in batches and not inspected and accepted
ABB Oy	Third party	23,970,652.38	23,970,652.38	0.97	1-2 years	Large equipment received in batches and not inspected and accepted
China Shipbuilding Trading Co., Ltd.	Under common control of CSSC	36,099,984.27	19,304,259.96	0.78	0-3 years	Equipment received in batches and not inspected and accepted
Total		1,570,891,285.92	859,057,907.48	34.72		

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(3) Top five prepayments by supplier based on closing balance

Name	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	448,706,437.43	0-2 years	18.13
EMER INTERNATIONAL LIMITED	320,519,970.03	0-3 years	12.95
China Shipbuilding Trading Shanghai Co., Ltd.	246,377,251.89	0-over 3 years	9.95
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	109,004,000.00	Within one year	4.40
China Shipbuilding Industry Corporation A Research Institute	94,050,000.00	0-2 years	3.80
Total	1,218,657,659.35	-	49.24

6. Interest receivable

Item	Ending balance	Beginning balance
Fixed deposit	31,860,882.74	90,472,939.16
Entrusted wealth management products	14,573,651.38	47,770,904.10
Total	46,434,534.12	138,243,843.26

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

7. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	142,347,253.79	83,253,636.68
Less: Provision for bad debts	12,970,965.00	10,805,479.86
Net amount	129,376,288.79	72,448,156.82

(1) Ageing analysis of other receivables

Ageing	Ending balance			Beginning balance		
	Other receivables	Provision for bad debts	Percentage (%)	Other receivables	Provision for bad debts	Percentage (%)
Within one year (including one year)	116,875,072.85	576,556.82	0.50	55,385,757.29	277,801.01	0.50
1-2 years	4,664,158.14	746,975.35	16.02	4,931,138.34	24,655.69	0.50
2-3 years	1,645,646.47	1,196,325.45	72.70	2,796,798.88	13,984.01	0.50
3-4 years	232,264.69	1,161.32	0.50	1,490,254.48	7,451.25	0.50
4-5 years	1,241,823.73	6,209.12	0.50	641,497.69	3,207.49	0.50
Over 5 years	17,688,287.91	10,443,736.94	59.04	18,008,190.00	10,478,380.41	58.19
Total	142,347,253.79	12,970,965.00	9.11	83,253,636.68	10,805,479.86	12.98

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(2) Breakdown of other receivables

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Carrying value	Book balance		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	7.26	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	130,018,563.05	91.34	642,274.26	0.50	129,376,288.79	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	1,988,458.59	1.40	1,988,458.59	100.00	0.00	100,310.00	0.12	100,310.00	100.00	0.00
Total	142,347,253.79	-	12,970,965.00	-	129,376,288.79	83,253,636.68	-	10,805,479.86	-	72,448,156.82

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

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

Note: Pursuant to a debt restructuring agreement between the Company and Guangzhou International Trust and Investment Corporation ("Guangzhou Investment"), most of the trust deposits of the Company at Guangzhou Investment had been exchanged for assets. On 17 August 2005, the Company, Guangzhou Investment and Konwin International Limited ("Konwin") entered into a debt transfer agreement, pursuant to which Guangzhou Investment transferred its creditor's right against Konwin of RMB10,640,000 to the Company. A debt settlement agreement was also entered into with Konwin at the same time, pursuant to which Konwin settled part of the debts with seven cars owned by it, due to deliver by September 2005. The remaining debts will be settled with part of equity interest in Konwin Optoelectronic Technology (Shenzhen) Co., Ltd. for which it has the right to dispose of. Under the final judgement delivered by the Higher People's Court of Guangdong Province on 21 September 2009, Konwin shall repay the principal amount and corresponding interest to the Group within ten days after the judgment has taken effect. As investigated by the court, Konwin had no assets available for execution as at the end of 2017. Guangzhou Intermediate People's Court had ordered the suspension of execution. The Company expects that it will be unable to recover the amount.

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

Name of portfolio	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within one year (including one year)	116,875,072.85	576,556.82	0.50
1-2 years	3,936,867.11	19,684.32	0.50
2-3 years	451,578.91	2,257.89	0.50
3-4 years	232,264.69	1,161.32	0.50
4-5 years	1,241,823.73	6,209.12	0.50
Over 5 years	7,280,955.76	36,404.79	0.50
Total	130,018,563.05	642,274.26	-

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

Name	Book balance	Amount of bad debts	Percentage(%)	Reasons for provision
Yantai Chenming Machinery Co., Ltd.	163,810.00	163,810.00	100.00	Unrecoverable
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100.00	Unrecoverable
Yantai Jiatai Ship Engineering Co., Ltd.	1,757,548.59	1,757,548.59	100.00	Unrecoverable
Guangdong Machinery Import & Export Co., Ltd.	9,500.00	9,500.00	100.00	May be unable to recover
Total	1,988,458.59	1,988,458.59	-	-

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

Provision for bad debts made during the year amounted to RMB2,665,485.14; provision for bad debts released or reversed during the year amounted to RMB0.

(4) **Other receivables written-off during the year:**

Item	Amount written-off
Other receivables written-off	500,000.00

Significant other receivables written-off:

Name of entity	Nature of other receivables	Amount written-off	Reason for writing-off	Procedures for writing-off	Whether arising from connected transaction
Hengli Shiji Industrial Park, Nansha District, Guangzhou	Deposit	500,000.00	Unrecoverable	Approved by management of the Company	No
Total		500,000.00			

(5) **Breakdown of other receivables by nature**

Nature	Book balance as at the end of the year	Book balance as at the beginning of the year
Refundable deposit	55,552,808.36	8,899,170.30
Temporary payments receivable	1,205,969.77	2,768,631.51
Grants receivable	13,178,409.44	1,210,000.00
Reserve funds	13,176,819.01	35,842,790.63
Other current account	59,233,247.21	34,533,044.24
Total	142,347,253.79	83,253,636.68

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

Name	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debts
Changjiang Waterway Bureau	Performance bonds	47,980,000.00	Within one year	33.71	239,900.00
Guangzhou Nansha Administration for Taxation	Refund of tax for exports	12,484,409.44	Within one year	8.77	62,422.05
Konwin International Limited	Unable to recover debts	10,340,232.15	Over 5 years	7.26	10,340,232.15
Guangzhou Nansha Pingqian Automobile Industrial Park Co., Ltd.	Plant deposit	3,982,863.00	Over 3 years	2.80	19,914.32
PICC Property and Casualty Company Limited Dalian Branch	Insurance claims	3,690,499.57	Within one year	2.59	18,452.50
Total		78,478,004.16		55.13	10,680,921.02

(7) **Other receivables relating to government grants**

Name	Grant item	Ending balance	Ageing	Expected receipt		
				Date	Amount	Basis
Guangzhou Nansha Administration for Taxation	Refund of tax for exports	12,484,409.44	Within one year	2018	12,484,409.44	Applied for export tax rebates in accordance with the taxation policy
Guangzhou Technological Innovation Committee	Post-R&D grant	694,000.00	Within one year	2018	694,000.00	"Public disclosure of proposed special subsidy for post-R&D of enterprises in Guangzhou in 2016", "Public disclosure of financial subsidy for enterprise research and development and upgrading in Guangdong Province in 2016" issued by Guangdong Provincial Department of Science and Technology and Guangdong Provincial Department of Finance
Total	-	13,178,409.44	-	-	13,178,409.44	-

(8) **Other receivables derecognised arising from transfer of financial assets: None.**

(9) **Amount of assets and liabilities transferred from other receivables with continuing involvement: None.**

(10) **Advance to employees receivable: None.**

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8. Inventories

(1) Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Raw materials	1,500,881,311.75	17,749,288.75	1,483,132,023.00	2,020,690,142.95	21,366,160.16	1,999,323,982.79
Work in progress	1,371,324,616.56	88,851,179.51	1,282,473,437.05	1,088,232,200.88	108,139,310.63	980,092,890.25
Finished goods	24,168,786.16	15,951.95	24,152,834.21	21,152,693.65	15,951.95	21,136,741.70
Completed and unsettled assets arising from construction contracts	7,733,426,984.62	228,538,405.96	7,504,888,578.66	9,385,369,887.34	79,210,653.85	9,306,159,233.49
Goods in transit	45,289,423.40	-	45,289,423.40	42,892,168.93	-	42,892,168.93
Total	10,675,091,122.49	335,154,826.17	10,339,936,296.32	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 year		Decrease for the year		Ending balance
		Provision	Others	Reversal or writing-off	Other transfer-out	
Raw materials	21,366,160.16	2,999,330.34	-	6,616,201.75	-	17,749,288.75
Work in progress	108,139,310.63	12,344,507.29	-	8,626,515.07	23,006,123.34	88,851,179.51
Finished goods	15,951.95	-	-	-	-	15,951.95
Completed and unsettled assets arising from construction contracts	185,757,904.42	210,528,994.15	-	120,593,715.02	-23,006,123.34	298,699,306.89
Including: Capitalized construction contracts (under inventories)	79,210,653.85	-	-	-	-	228,538,405.96
Capitalized construction contracts (under estimated liabilities)	106,547,250.57	-	-	-	-	70,160,900.93
Sub-total	315,279,327.16	225,872,831.78	-	135,836,431.84	-	405,315,727.10
Less: Capitalized construction contracts (under estimated liabilities)	106,547,250.57	-	-	-	-	70,160,900.93
Total	208,732,076.59	-	-	-	-	335,154,826.17

(3) Provision for impairment of inventories

Item	Basis for determination of net realisable value	Reason for reversal written off during the year
Raw materials	Book value higher than net realisable value (Estimated disposal proceeds less taxes)	Production and reuse
Works in progress	Book value higher than net realisable value (Estimated disposal proceeds related costs and expenses)	Completed for sale
Finished goods	Book value higher than net realisable value (Estimated selling price less taxes)	
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Writing off according to construction process

(4) There were no capitalised borrowing costs included in ending balance of inventories.

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(5) Completed and unsettled assets arising from construction contracts as at the end of the year

Item	Amount
Accumulated cost incurred	20,419,833,853.81
Accumulated gross profit recognised	835,291,297.64
Less: Expected loss	228,538,405.96
Amount settled	13,521,698,166.83
Completed and unsettled assets arising from construction contracts	7,504,888,578.66

9. Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Long-term entrusted wealth management products due within one year	1,001,000,000.00		Note
Long-term receivables due with one year	32,143,116.08		
Total	1,033,143,116.08		

Note: The breakdown of the long-term 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
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	200,000,000.00	2016-9-26	2018-9-26
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	100,000,000.00	2016-11-8	2018-11-8
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	200,000,000.00	2016-6-17	2018-6-17
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	301,000,000.00	2016-7-7	2018-6-25
Total		1,001,000,000.00		

Description: Each of Huangpu Wenchong and GSI, both wholly-owned subsidiary of the Company, entered into an entrusted asset management contract and supplemental agreement with CSSC Finance Company Limited ("CSSC Finance"), pursuant to which they appointed CSSC Finance to manage their funds. CSSC Finance are appointed to invest in the following: central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bonds, medium-term notes, bank wealth management products, brokerage asset management plans, currency funds, bond funds and deposits. The investment income is allocated on a calendar year basis, with the principal and unallocated income for the outstanding term allocated upon maturity, or the principal and income are recovered on an one-off basis upon maturity. The record date for income is 20 December of each calendar year. Huangpu Wenchong and GSI recognise the income from entrusted wealth management products confirmed by CSSC Finance as investment income and interest receivable for the period.

10. Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	1,841,133,635.71	1,592,964,428.05
Prepaid enterprise income tax	121,818.67	
Entrusted wealth management products		300,000,000.00
Total	1,841,255,454.38	1,892,964,428.05

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11. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Available-for-sale equity instruments	30,784,560.75	9,754,565.71	21,029,995.04	23,618,663.31	4,716,310.26	18,902,353.05
Including: Measured at fair value	10,317,771.48		10,317,771.48	3,151,874.04		3,151,874.04
Measured at cost	20,466,789.27	9,754,565.71	10,712,223.56	20,466,789.27	4,716,310.26	15,750,479.01
Total	30,784,560.75	9,754,565.71	21,029,995.04	23,618,663.31	4,716,310.26	18,902,353.05

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

Item	Ending balance	Beginning balance
Listed	10,317,771.48	3,151,874.04
Including: China (except Hong Kong)	10,317,771.48	3,151,874.04
Unlisted	10,712,223.56	15,750,479.01
Total	21,029,995.04	18,902,353.05

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

Item	Available-for-sale equity instruments	Total
Cost of equity instruments/amortized cost of debt instruments	8,081,043.86	8,081,043.86
Fair value	10,317,771.48	10,317,771.48
Accumulated amount of changes in fair value included in other comprehensive income	2,236,727.62	2,236,727.62
Amount of provision made		

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

Investee	Book value				Provision for impairment				Shareholding percentage in investee (%)	Cash dividend for the year
	Beginning balance	Increase for the year	Decrease for the period	Ending balance	Beginning balance	Increase for the year	Decrease for the year	Ending balance		
CSSC Finance Company Limited	5,828,000.00			5,828,000.00					0.33	
CSSC Heavy Equipment Co., Ltd.	5,038,255.45			5,038,255.45	5,038,255.45			5,038,255.45	17.10	
Nanjing Tongchuang Computer Co., Ltd.	4,716,310.26			4,716,310.26	4,716,310.26			4,716,310.26	4.60	
Beijing Shipbuilding Information Technology Co., Ltd.	1,700,000.00			1,700,000.00					10.63	
Huangou 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	
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	5,038,255.45		9,754,565.71	-	

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

Breakdown 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 during the year	5,038,255.45	5,038,255.45
Including: Transfer from other comprehensive income		
Decrease for the year		
Including: Subsequent reversal arising from increase in fair value		
Amount of provision made as at the end of the year	9,754,565.71	9,754,565.71

12. Long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value	
Receipt in installments for sale of goods	582,380,488.37	122,320,951.28	460,059,537.09	601,815,597.04	123,023,953.07	478,791,643.97	4.75%
Total	582,380,488.37	122,320,951.28	460,059,537.09	601,815,597.04	123,023,953.07	478,791,643.97	

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

13. Long-term equity investments

(1) Breakdown of long-term equity investments

Investee	Beginning balance	Additional investment	Decrease in investment	Change for the year					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. Joint venture		30,000,000.00		-1,654,450.09						28,345,549.91	
Nanfeng Environment Co., Ltd.		30,000,000.00		-1,654,450.09						28,345,549.91	
II. Associates	68,961,676.66			53,925.12		341,436.28	568,042.10		640,884,114.70	709,673,110.66	
Zhenjiang CSSC Equipment Modern Co., Ltd.	45,012,936.23			14,314.98		341,436.28				45,368,687.49	
South China Special Coating Industrial Co., Ltd.	3,971,500.35			225,731.00			568,042.10			3,629,189.25	
CSSC Liner Technology Development Co., Ltd.	19,977,240.08			-801,645.23						19,175,594.85	
CSSC Chengxi Yangzhou Shipbuilding Company Limited ^{100%}				615,524.37					640,884,114.70	641,499,639.07	
Total	68,961,676.66	30,000,000.00		-1,600,524.97		341,436.28	568,042.10		640,884,114.70	738,018,660.57	

Note: GSI Yangzhou Co., Ltd. (广船国际扬州有限公司) was a subsidiary of the Company and was accounted for using the equity method following the Company's disposal of its 51% equity interest in 2017 with loss of control. For details, please refer to note VI.65 gain (or loss) on disposal of investments or properties. GSI Yangzhou Co., Ltd. was renamed as CSSC Chengxi Yangzhou Shipbuilding Company Limited (中船澄西扬州船舶有限公司) on 29 December 2017.

(2) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	738,018,660.57	68,961,676.66
Total	738,018,660.57	68,961,676.66

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14. Investment properties

(1) Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance	29,171,739.00	29,171,739.00
2. Increase for the year		
3. Decrease for the year		
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 year	628,712.16	628,712.16
(1) Provision made or amortisation	628,712.16	628,712.16
3. Decrease for the year		
4. Ending balance	6,920,375.32	6,920,375.32
III. Provision for impairment		
1. Beginning balance		
2. Increase for the year		
3. Decrease for the year		
4. Ending balance		
IV. Carrying value		
1. Carrying value at the end of the year	22,251,363.68	22,251,363.68
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 year is RMB628,712.16 (Last year: RMB628,712.16).

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

Investment properties analyzed by region and term:

Item	Ending balance	Beginning balance
Within China	22,251,363.68	22,880,075.84
Medium term (10-50 years)	22,251,363.68	22,880,075.84
Total	22,251,363.68	22,880,075.84

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

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15. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings and structures	Machinery 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 year	260,973,984.10	672,979,535.27	-181,392,541.78	56,674,984.38	809,235,961.97
(1) Additions	36,827,553.61	11,285,422.26	889,198.86	1,035,922.04	50,038,096.77
(2) Transfer from construction in progress	216,947,925.21	341,470,978.69	9,723,087.28	23,487,945.64	591,629,936.82
(3) Transfer from debt settlement	4,272,909.88				4,272,909.88
(4) Transfer from inventories		163,295,018.50			163,295,018.50
(5) Reclassification adjustment	2,925,595.40	156,928,115.82	-192,004,827.92	32,151,116.70	
3. Decrease for the year	739,382,270.88	371,433,266.72	20,353,705.65	25,487,962.70	1,156,657,205.95
(1) Disposal or retirement	2,302,064.66	113,724,449.54	16,424,858.62	23,188,777.79	155,640,150.61
(2) Transfer out arising from the decrease in scope of consolidation	737,080,206.22	257,708,817.18	3,928,847.03	2,299,184.91	1,001,017,055.34
4. Ending balance	8,897,230,195.68	5,632,138,909.91	542,501,705.11	426,502,576.06	15,498,373,386.76
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 year	297,638,890.73	439,083,928.28	-118,283,967.08	53,106,937.72	671,545,789.65
(1) Provision made	296,198,811.29	308,186,858.16	32,300,661.42	34,859,458.78	671,545,789.65
(2) Reclassification adjustment	1,440,079.44	130,897,070.12	-150,584,628.50	18,247,478.94	
3. Decrease for the year	62,467,499.43	158,204,838.65	14,283,113.27	21,909,041.65	256,864,493.00
(1) Disposal or retirement	1,851,014.85	101,595,475.96	13,484,414.56	21,295,618.91	138,226,524.28
(2) Transfer out arising from the decrease in scope of consolidation	60,616,484.58	56,609,362.69	798,698.71	613,422.74	118,637,968.72
4. Ending balance	2,091,575,135.14	2,712,341,621.54	275,705,799.49	265,971,800.04	5,345,594,356.21
III. Provision for impairment					
1. Beginning balance		6,414,825.24	1,752,651.50		8,167,476.74
2. Increase for the year		-105,505.80		105,505.80	
(1) Reclassification adjustment		-105,505.80		105,505.80	
3. Decrease for the year		116,491.19	1,752,651.50		1,869,142.69
(1) Disposal or retirement		116,491.19	1,752,651.50		1,869,142.69
4. Ending balance		6,192,828.25		105,505.80	6,298,334.05
IV. Carrying value					
1. Carrying value at the end of the year	6,805,655,060.54	2,913,604,460.12	266,795,905.62	160,425,270.22	10,146,480,696.50
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

Note 1: The depreciation of fixed assets recognised in profit or loss during the year is RMB671,545,789.65 (Last year: RMB661,376,968.72).

Note 2: Included in fixed assets added during the year is capitalized construction in progress of RMB591,629,936.825.

Note 3: Inventories of RMB163,295,018.50 were transferred to fixed asset during the year, representing the transfer of completed ships to fixed assets for operation and leasing following the establishment of Wah Shun by Huangpu Wenchong.

Note 4: The decrease in the scope of consolidation and the transfer out of fixed assets were due to the disposal of GSI Yangzhou by the Company.

(2) Fixed assets leased out through operating leases

Item	Carrying value
Buildings and structures	256,253,067.78
Machinery and equipment	14,120,473.00
Transportation vehicles	164,067,312.43
Other equipment	93,729.61
Total	434,534,582.82

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

Item	Ending balance	Beginning balance
Within China	6,791,320,054.74	7,504,616,349.18
Medium term (10-50 years)	6,791,303,501.96	7,504,616,349.18
Short term (Within 10 years)	16,552.78	
Outside China	14,335,005.80	14,618,389.44
Long term (Over 50 years)	14,335,005.80	14,618,389.44
Total	6,805,655,060.54	7,519,234,738.62

(4) Fixed assets without property ownership certificates

As at the end of the year, included in fixed assets were properties with carrying amount of RMB210,196,728.51 for which the property ownership certificate was being applied for. Given the aforesaid properties were in compliance with the relevant legal procedures, the Board believes that the transfer of its title will not meet any substantial obstacle or affect their normal use by the Group and will have no material impact on the normal operation of the Group. As such, no provision for impairment is required for investment properties and there will be no additional material costs.

Item	Carrying value	Reason for failure to obtain property ownership certificates
Production workshop	99,329,889.81	In the process of obtaining ownership certificate
Ship joining workshop	68,946,738.12	In the process of obtaining ownership certificate
Production and living support building	13,917,673.40	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
Office building	6,832,751.50	In the process of obtaining ownership certificate
1# air pressure station, 1# distribution and transformer substation	5,213,665.95	In the process of obtaining ownership certificate
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	2,599,379.11	In the process of obtaining ownership certificate
Oily waste storage room	899,792.94	In the process of obtaining ownership certificate
1# natural gas blending station	661,454.75	In the process of obtaining ownership certificate
1# liquid oxygen gasification station	168,157.78	In the process of obtaining ownership certificate
Total	210,196,728.51	

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16. Construction in progress

(1) Breakdown of construction in progress

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Nansha Factory upgrading project	109,487,545.91		109,487,545.91	221,633,107.89		221,633,107.89
Project 8	85,500,049.11		85,500,049.11	42,572,139.36		42,572,139.36
Maritime engineering equipment production facilities improvement project at Longxue Plant	80,316,686.72		80,316,686.72	129,035,197.54		129,035,197.54
Residential project for workers	72,983,325.52		72,983,325.52	72,983,325.52		72,983,325.52
Elevator and decompression bed construction project	48,817,551.70		48,817,551.70	13,081,044.34		13,081,044.34
Project 7	43,119,608.99		43,119,608.99	29,897,873.52		29,897,873.52
Technological upgrading project	45,332,081.90		45,332,081.90	27,574,872.09		27,574,872.09
Offshore platform project	36,250,674.82		36,250,674.82	35,628,531.49		35,628,531.49
Offshore engineering project phase I	19,227,375.29		19,227,375.29	16,397,746.44		16,397,746.44
Shipbuilding platform supporting project	11,783,702.87		11,783,702.87			
Project 6	10,976,525.62		10,976,525.62	10,841,254.13		10,841,254.13
Project 5	8,658,331.70		8,658,331.70	8,540,676.98		8,540,676.98
Project 2	8,081,186.70		8,081,186.70	13,842,426.27		13,842,426.27
Project 3	7,155,003.51		7,155,003.51	6,712,359.81		6,712,359.81
Pipe distribution warehouse project	6,660,562.97		6,660,562.97	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
16-meter self-moving mobile barges	5,140,390.48		5,140,390.48	3,327,976.64		3,327,976.64
Other projects	30,430,087.42		30,430,087.42	30,760,010.27		30,760,010.27
Total	635,119,267.47		635,119,267.47	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 year	Decrease for the year		Ending balance
			Transfer to fixed assets	Other decreases	
Nansha Plant upgrading project	221,633,107.89	230,510,612.16	331,388,007.44	11,268,166.70	109,487,545.91
Project 8	42,572,139.36	122,057,328.64	79,129,418.89		85,500,049.11
Maritime engineering equipment production facilities improvement project at Longxue Plant	129,035,197.54	57,536,579.74	106,255,090.56		80,316,686.72
Residential project for workers Elevator and decompression bed construction project	72,983,325.52				72,983,325.52
Project 6	13,081,044.34	35,736,507.36			48,817,551.70
Technological upgrading project	27,574,872.09	31,977,643.53	14,220,433.72		45,332,081.90
Project 7	29,897,873.52	24,541,980.88	11,320,245.41		43,119,608.99
Offshore platform project	35,628,531.49	4,148,030.79	3,525,887.46		36,250,674.82
Offshore engineering project phase I	16,397,746.44	3,442,462.48	612,833.63		19,227,375.29
Project 6	10,841,254.13	135,271.49			10,976,525.62
Project 5	8,540,676.98	117,654.72			8,658,331.70
Project 2	13,842,426.27	3,070,325.53	8,831,565.10		8,081,186.70
Project 3	6,712,359.81	-520,672.69	-963,316.39		7,155,003.51
Pipe distribution warehouse project	4,809,053.77	1,851,509.20			6,660,562.97
External workers shift room	3,113,244.35	2,100,280.61	14,948.72		5,198,576.24
16-meter self-moving mobile barges	3,327,976.64	1,812,413.84			5,140,390.48
Total	639,990,830.14	518,517,928.28	554,335,114.54	11,268,166.70	592,905,477.18

(Continued)

Name of project	Budgeted amount	Budget use-up ratio (%)	Progress	Accumulated interest capitalised	Including: Interest capitalised in the year	Interest capitalisation ratio for the year (%)	Source of funding
Nansha Plant upgrading project	1,333,760,000.00	34.00	Under construction	2,987,492.46	1,860,810.15	4.00	Loan/self-financed
Project 8	453,000,000.00	50.84	Under construction				State-grant/self-financed
Maritime engineering equipment production facilities improvement project at Longxue Plant	653,000,000.00	64.16	Under construction				Raising/loans
Residential project for workers Elevator and decompression bed construction project	568,440,000.00	25.71	Under construction	5,321,235.58			Self-financed/loans
Technological upgrading project	123,730,000.00	39.45	Under construction				Self-financed
Project 7	40,000,000.00	122.15	Under construction				Self-financed
Offshore platform project	424,940,000.00	86.73	Under construction	5,054,498.77	3,109,239.67	4.28	State-grant/loans
Offshore engineering project phase I	278,630,000.00	42.76	Under construction	21,481,445.85	4,137,747.17	4.28	Self-financed/loans
Project 6	770,000,000.00	90.99	Under construction	65,768,454.86			Self-financed/loans
Project 5	201,000,000.00	114.88	Under construction				State-grant/self-financed
Project 2	119,420,000.00	68.16	Under construction	3,056,886.26	-12,429.64		State-grant/loans
Project 3	499,060,000.00	107.55	Under construction				Self-financed/state-grant
Pipe distribution warehouse project	278,630,000.00	90.53	Under construction	24,729,118.48			Self-financed/loans
External workers shift room	9,500,000.00	70.11	Under construction				Self-financed
Construction contract for 16-meter self-moving mobile barges	4,500,000.00	115.86	Under construction				Self-financed
16-meter self-moving mobile barges	4,800,000.00	107.09	Under construction				Self-financed
Total	5,762,410,000.00			128,399,132.26	9,095,367.35		

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17. Disposal of fixed assets

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

18. Intangible assets

(1) Breakdown of intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	2,063,527,431.28	145,232,000.00	168,741,941.55	2,423,934.00	2,379,925,306.83
2. Increase for the year	50,913,295.33		12,908,639.69		63,821,935.02
(1) Additions	50,913,295.33		1,640,472.99		52,553,768.32
(2) Transfer from construction in progress			11,268,166.70		11,268,166.70
3. Decrease for the year	120,241,272.81		196,153.85		120,437,426.66
(1) Decrease in the scope of consolidation	120,241,272.81		196,153.85		120,437,426.66
4. Ending balance	1,994,199,453.80	145,232,000.00	181,454,427.39	2,423,934.00	2,323,309,815.19
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 year	53,483,197.74	2,904,639.96	7,002,133.43	6,467.52	63,396,438.65
(1) Provision made	53,483,197.74	2,904,639.96	7,002,133.43	6,467.52	63,396,438.65
3. Decrease for the year	4,109,752.90		176,923.14		4,286,676.04
(1) Decrease in the scope of consolidation	4,109,752.90		176,923.14		4,286,676.04
4. Ending balance	261,304,583.96	25,415,599.65	151,888,816.75	32,876.56	438,641,876.92
III. Provision for impairment					
1. Beginning balance					
2. Increase for the year					
3. Decrease for the year					
4. Ending balance					
IV. Carrying value					
1. Carrying value at the end of the year	1,732,894,869.84	119,816,400.35	29,565,610.64	2,391,057.44	1,884,667,938.27
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 year.

Land use rights are analyzed by region and term as follows:

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)		1,851,596,292.16
Total	1,732,894,869.84	1,851,596,292.16

The depreciation and amortisation of intangible assets recognised in profit or loss during the year is RMB63,396,438.65 (Last year: RMB58,510,981.04).

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

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19. Development expenses

Item	Beginning balance	Increase for the year Internal research and development expenses	Decrease for the year Transfer to profit or loss for the current period	Ending balance
Research and development of key technologies for meter deepwater drillships		91,899,604.50	91,899,604.50	
Research and development of containerships		53,489,432.46	53,489,432.46	
Research and manufacture of drilling wave compensation device		50,088,244.52	50,088,244.52	
Research and development and industrial application of offshore oil spill recovery ships		27,096,086.96	27,096,086.96	
Research and development of dual fuel containerships		23,142,955.81	23,142,955.81	
Development of dual-fuel high-speed luxury Ro/Ro ships		20,395,693.41	20,395,693.41	
Research and development of key technologies for design and building of jack-up wind power installation platform		16,609,184.39	16,609,184.39	
Smart ship demonstration project (Project Dawn)		16,174,977.00	16,174,977.00	
Research and development of high speed ships		13,034,981.01	13,034,981.01	
Research of key technology for the conversion of bulk carriers into semi-submersible ships		12,613,189.49	12,613,189.49	
Research and development and industrial application of design and building technology for super deepwater floating production, storage and offloading domestic module units (FPSO)		11,700,372.05	11,700,372.05	
Research and development of key technologies for building jack-up service platforms		10,886,137.85	10,886,137.85	
Research and manufacturing of rake dredgers		10,751,346.22	10,751,346.22	
Coordinated innovative research and application of composite wear resistant components for high-end equipment		10,575,896.97	10,575,896.97	
Research and development of multi-purpose heavy lift ships		10,163,301.91	10,163,301.91	
Smart ship demonstration project		9,435,894.85	9,435,894.85	
Research of building process for hydroacoustics monitoring ships		8,806,010.33	8,806,010.33	
Self-development of diving support ships		8,586,411.13	8,586,411.13	
Research of key technologies for saturation diving supporting ships		7,288,148.90	7,288,148.90	
Research and development of manufacturing process and fitting for marine engineering equipment (1)		7,034,957.14	7,034,957.14	
Research and development of North Africa ro-ro passenger ships		6,623,993.09	6,623,993.09	
Research of key welding technologies for polar condensate tanker hull		6,246,808.25	6,246,808.25	
Research and development of design and building technology for large trenching ships		5,680,447.12	5,680,447.12	
Research and development of manufacturing process and fitting for advanced ships (1)		5,643,440.83	5,643,440.83	
Research of key technologies for polar deck ships		5,618,165.97	5,618,165.97	
Development and industrialization of intelligent manufacturing integrated platform for marine products		5,353,439.27	5,353,439.27	
Research and development of energy-saving and environment-friendly VLOC ships		5,302,958.94	5,302,958.94	
Research and development and industrial application of upgrading technology for super deepwater floating production, storage and offloading devices (FPSO)		5,244,912.77	5,244,912.77	
Research and development of key technologies for designing and building large bituminous ships		5,123,602.32	5,123,602.32	
Research and development of design and building technology for salvage ships		5,004,169.06	5,004,169.06	
Research and application of key technologies for designing and building large cutter suction dredger system		4,933,513.97	4,933,513.97	
Research and secondary development of CATIA-based ship design and application		4,539,677.12	4,539,677.12	

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Item	Beginning balance	Increase for the year Internal research and development expenses	Decrease for the year Transfer to profit or loss for the current period	Ending balance
Construction of provincial research and development centre for marine operation ships and platform engineering		4,403,874.01	4,403,874.01	
Research and development of key technologies for building large offshore salvage tugs		4,313,684.44	4,313,684.44	
Research and development of Antarctic krill ships		4,177,543.50	4,177,543.50	
Research and development of LR2 oil tankers meeting HCSR		4,168,700.20	4,168,700.20	
Hospital teaching information management system		3,976,081.41	3,976,081.41	
Research of comprehensive building process and technology		3,900,543.16	3,900,543.16	
Research and development and demonstration application of comprehensive management system for vessel equipment		3,808,671.82	3,808,671.82	
Research and manufacturing of third-generation chemical/oil tankers		3,692,714.13	3,692,714.13	
Research and development of B type ships		3,543,010.55	3,543,010.55	
Research and development of key technologies for maritime engineering		3,532,741.68	3,532,741.68	
Research and systematic research and development of key technologies for smart diving control of semi-submersible ships		3,337,842.21	3,337,842.21	
Research of key technologies for polar multi-purpose ships		3,323,532.50	3,323,532.50	
Scientific development and technology tackling management 2017		3,310,448.69	3,310,448.69	
Self-propelled cutter dredger project		3,193,805.75	3,193,805.75	
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things		3,147,683.30	3,147,683.30	
In-depth application and research of precision shipbuilding technologies		3,072,489.14	3,072,489.14	
Visual control billboard software for large ship manufacturing progress		2,754,889.78	2,754,889.78	
Research and development of energy-saving control for ship follow-up green cooling system		2,714,734.65	2,714,734.65	
Enterprise mobile application software integrated management platform		2,621,906.34	2,621,906.34	
Special key common technology for smart ship manufacturing		2,604,224.36	2,604,224.36	
Application and research of STAIMO, a test flight speed calculation and analysis software		2,526,827.26	2,526,827.26	
Research and development of polar condensate tankers		2,451,222.26	2,451,222.26	
Research and development of key technologies for smart manufacturing		2,419,898.82	2,419,898.82	
Research and development of water surface unmanned boats		2,356,127.57	2,356,127.57	
Maine low-speed machine innovation project (Phase 1)		2,250,565.22	2,250,565.22	
Research and development of key technologies for ships		2,216,197.28	2,216,197.28	
Research of key technologies for designing and building of deep diving subsea multifunctional wind power engineering ships		2,126,764.68	2,126,764.68	
Other miscellaneous projects		65,862,446.68	65,862,446.68	
Total		636,897,127.00	636,897,127.00	

During the year, research and development expense of RMB374,304,448.28 (Last year: RMB440,321,697.27) was transferred to administrative expense, and research and development expense of RMB175,270,950.82 (Last year: RMB216,405,254.89) was transferred to operating costs and research and development expense of RMB87,321,727.90 (Last year: RMB0) was offset by government grant.

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

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20. Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases for the year	Ending balance
13-metre total steel beam		6,408,811.18	120,370.37		6,288,440.81
1025 import technology design fee	4,253,039.47				4,253,039.47
Reconstruction cost of plant	5,099,548.86		1,073,589.27		4,025,959.59
Improvement expenses for leased fixed assets	6,639,316.05	33,783.50	6,409,325.10		263,774.45
Enclosure project for waterway wharf at Liwan Plant		93,680.15			93,680.15
Drawing review and certification fees	60,000.00		30,000.00		30,000.00
Renovation of ventilation and air-conditioning system of technical center building	176,070.94		176,070.94		
Dining hall complex modification	821,731.16		821,731.16		
Total	17,049,706.48	6,536,274.83	8,631,086.84		14,954,894.47

21. 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	343,688,581.83	63,061,210.00	292,556,519.38	53,979,123.80
Deductible tax loss	1,164,292,329.54	291,073,082.39	1,309,505,173.60	327,376,293.40
Prepaid housing subsidy	39,690.00	9,922.50	65,378.00	16,344.50
Payroll for retiring employees	213,441,982.56	48,397,486.95	224,784,594.88	50,476,528.31
Estimated liabilities	326,827,934.23	56,335,762.31	367,443,149.13	70,103,177.26
Change in fair value of financial assets at fair value through profit or loss	3,293,017.52	812,182.06		
Timing differences for long-term prepaid expenses	2,950,278.56	737,569.64	3,062,731.51	765,682.88
Total	2,054,533,814.24	460,427,215.85	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	2,236,727.62	559,181.91	1,996,376.74	499,094.19
Change in fair value of financial assets at fair value through profit or loss	5,636,754.26	853,381.71		
Total	7,873,481.88	1,412,563.62	1,996,376.74	499,094.19

(3) Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	398,462,131.93	316,067,311.87
Deductible tax loss	2,994,925,163.38	3,118,302,527.54
Total	3,393,387,295.31	3,434,369,839.41

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 RMB191,600,000.00 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, Wenchong Shipyard, a subsidiary of the Company, recognised deferred tax assets of RMB79,473,082.39 in respect of part of uncovered losses for previous years, and recognised deferred tax assets of RMB85,563,706.01 for the remaining uncovered losses and deductible temporary difference; for Zhongshan GSI, Large-scale Machinery, Xingshun, Pipe Company, Wenchong Bingshen and Longxue Properties, 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		76,650,852.60	
2018	57,249,857.84	56,767,728.13	
2019	866,106,203.03	908,961,528.49	
2020	834,445,062.06	904,676,563.39	
2021	1,091,870,431.98	1,171,245,854.93	
2022	145,253,608.47		
Total	2,994,925,163.38	3,118,302,527.54	

22. Other non-current assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	199,020,072.23	
Long-term entrusted wealth management products		1,001,000,000.00
Infrastructure project input tax to be deducted		361,563.30
Total	199,020,072.23	1,001,361,563.30

Note: Relocation expenses to be written off represented the labour costs such as assets disposal, economic compensation and relocation awards incurred as a result of the relocation of plant of GSI, a subsidiary of the Company, and the Nanhai mechanical and electrical branch of the Company.

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23. Short-term borrowings

(1) Breakdown of short-term borrowings

Type	Ending balance	Beginning balance
Secured borrowings	103,380,475.00	
Guaranteed borrowings	19,505,750.00	96,000,000.00
Credit loans	2,552,528,750.00	349,636,500.54
Total	2,675,414,975.00	445,636,500.54

Guarantees:

- As at the end of the year, short-term borrowing of RMB103,380,475.00 was secured by pledge of bank deposit receipt of Huangpu Wenchong, a subsidiary of the Company, of RMB14,800,000.00.
- As at the end of the year, short-term borrowing of RMB19,505,750.00 was guaranteed by Huangpu Wenchong, a subsidiary of the Company, for Wenchong Shipyard, a subsidiary of the Company.

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

24. Financial liabilities at fair value through profit or loss

Item	Ending balance	Beginning balance
Financial liabilities held-for-trading Including: Forward exchange contracts	3,366,294.31 3,366,294.31	
Total	3,366,294.31	

Description: Please refer to Note VI.2.(2) for details of fair value measurement.

25. Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	1,599,584,847.84	1,459,936,362.47
Commercial acceptance bills	172,699,720.75	456,133,162.59
Total	1,772,284,568.59	1,916,069,525.06

Total notes payable due and unpaid as at the end of the year amounted to RMB0 (RMB3,528,569.00 as at the beginning of the year).

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

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26. Accounts payable

(1) Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	4,732,575,259.17	4,141,139,784.10
Payment for projects under construction	139,654,470.85	165,483,222.71
Balance of product payment	522,958,298.33	651,882,976.17
Retention money	1,408,935,503.78	1,332,444,062.08
Other construction and labour services	852,113,733.56	972,686,131.90
Total	7,656,237,265.69	7,263,636,176.96

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

Ageing	Ending balance	Beginning balance
Within 1 year	6,410,815,147.85	6,412,627,506.32
1-2 years	820,663,794.19	564,707,692.41
2-3 years	198,414,252.64	124,352,471.96
Over 3 years	226,344,071.01	161,948,506.27
Total	7,656,237,265.69	7,263,636,176.96

(3) Significant accounts payable aged over one year

Name	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
China Shipbuilding NDRI Engineering Co., Ltd.	138,145,655.43	132,309,637.06	Payment for construction in progress
Foshan Nanhai Yuegui Oil and Chemical Supply Joint Venture	91,680,536.61	85,417,973.55	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation B Research Institute	307,680,849.00	87,577,550.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation C Research Institute	72,820,000.00	62,953,075.47	Equipment warranty and provisional estimates
AL NEHRA PETROME FZE	45,017,175.95	45,017,175.95	Equipment warranty and provisional estimates
Havyard Global Solutions AS	24,262,779.64	24,262,779.64	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation D Research Institute	113,159,000.00	23,756,000.00	Equipment warranty and provisional estimates
Technology Department of a certain division	57,555,000.00	19,492,300.00	Equipment warranty and provisional estimates
Scientific research centre of Harbin Engineering University	22,262,400.00	19,183,700.00	Equipment warranty and provisional estimates
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,475,785.09	18,472,294.28	Undue
Shenzhen Hisibi Ship Technology Co., Ltd.	18,110,208.00	18,110,208.00	Equipment warranty and provisional estimates
Shanghai Construction Group Co., Ltd.	16,272,460.21	16,272,460.21	Equipment warranty and provisional estimates
Dalian Marine Diesel Engine Co., Ltd.	14,800,000.00	14,606,490.00	Retention money
Nanjing Panda Handa Technology Co., Ltd.	14,142,500.00	14,142,500.00	Retention money
China Offshore Environmental Service (Tianjin) Co., Ltd.	13,385,154.00	13,385,154.00	Equipment warranty and provisional estimates
China Aerospace Science and Industry Corporation X Research Institute	13,200,000.00	13,200,000.00	Equipment warranty and provisional estimates
Yoshida Ltd	12,378,073.58	12,228,835.78	Equipment warranty and provisional estimates
Eastern Shanghai Heavy Machinery Co., Ltd.	51,263,758.66	12,189,500.00	Retention money
Aofeng Ship Electric (Hong Kong) Co., Ltd.	11,005,659.13	11,005,659.13	Equipment warranty and provisional estimates
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	262,410,337.46	10,190,806.10	Undue
Total	1,318,027,332.76	653,774,099.17	-

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27. Advances from customers

(1) Advances from customers

Item	Ending balance	Beginning balance
Steel structure engineering	186,063,486.35	108,501,241.85
Advance from customers for ship maintenance	258,433,124.78	267,948,430.76
Other products	206,372,398.90	219,745,529.73
Total	650,869,010.03	596,195,202.34

(2) Significant advances from customers aged over one year

Name	Ending balance	Reason for unsettlement or carrying forward
Entity 1	87,277,100.00	Ship retrofitting project not finished yet
Entity 2	45,727,410.96	Project unsettled
Entity 3	38,840,900.00	Project not finished yet
Entity 4	30,630,000.00	Project not finished yet
Entity 5	24,337,703.36	Project not finished yet
Entity 6	16,515,900.00	Project not finished yet
Total	243,329,014.32	–

28. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term employee benefits	59,353,944.54	4,147,713,075.10	4,174,868,397.01	32,198,622.63
Post-employment benefits – defined contribution plans	198.77	259,637,671.49	259,637,870.26	
Termination benefits		1,933,963.23	1,933,963.23	
Total	59,354,143.31	4,409,284,709.82	4,436,440,230.50	32,198,622.63

(2) Short-term employee benefits

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Wages or salaries, bonuses, allowances and subsidies	30,660,777.25	1,620,703,484.27	1,648,211,735.29	3,152,526.23
Employee benefits	5,072,421.30	93,584,807.62	93,584,807.62	5,072,421.30
Social insurance	5,078.79	143,356,049.10	143,361,127.89	
Including: Medical insurance	3,698.03	123,712,061.14	123,715,759.17	
Work-related injury insurance	1,026.08	5,808,506.92	5,809,533.00	
Maternity insurance	354.68	13,835,481.04	13,835,835.72	
Housing fund	314,528.00	204,621,394.00	204,933,060.00	2,862.00
Union & employee education funds	22,256,815.39	32,694,550.45	31,785,187.76	23,166,178.08
Outsourcing labour costs and others	1,044,323.81	2,052,752,789.66	2,052,992,478.45	804,635.02
Total	59,353,944.54	4,147,713,075.10	4,174,868,397.01	32,198,622.63

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(3) Defined contribution plans

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

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

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		232,691,390.41	232,691,390.41	
Unemployment insurance	198.77	4,303,342.30	4,303,541.07	
Enterprise annuity contribution		22,642,938.78	22,642,938.78	
Total	198.77	259,637,671.49	259,637,870.26	

(4) The defined benefit plan contributions payable by the Group for the year amounted to RMB259,637,671.49 (2016: RMB268,723,833.22). As at 31 December 2017, contribution payable by the Group amounting to RMB0 (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.

29. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	12,265,607.37	26,102,175.44
Enterprise income tax	27,863,434.79	52,849,542.00
Individual income Tax	12,498,390.83	21,903,075.93
Urban maintenance and construction tax	2,315,249.38	1,977,446.62
Property tax	3,702,324.29	20,470,639.55
Land use tax	11,175,389.40	2,030,500.01
Educational surcharge	1,653,676.76	1,407,903.98
Others	1,005,668.61	369,814.23
Total	72,479,741.43	127,111,097.76

Note 1: As at the end of 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 the end of 2017, included in the enterprise income tax under taxes payable was Hong Kong profits tax payable of RMB1,313,567.59 (as at the beginning of the year: RMB7,396,634.00).

30. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings for which the interest is paid in installments and the principal is repaid when due	10,630,316.28	10,771,532.39
Interest payable on short-term borrowings	2,380,500.89	337,894.44
Total	13,010,817.17	11,109,426.83

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

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31. Dividends payable

Item	Ending balance	Beginning balance
Dividends payable for A shares	145,589.60	341,776.11
Dividends payable for H shares	237,951.32	156,228.43
Dividend payable by subsidiaries to minority interests		3,308,000.00
Total	383,540.92	3,806,004.54

32. Other payables

(1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	93,930,500.59	188,069,039.46
Payable for temporary receipts	140,361,236.63	170,121,396.60
Total	234,291,737.22	358,190,436.06

(2) Significant other payables aged over 1 year

Name	Ending balance	Reason for unsettlement or carrying forward
China Rescue and Salvage of Ministry of Transport of the PRC	20,104,702.62	Advances
China Shipbuilding NDRI Engineering Co., Ltd.	3,250,872.45	Performance bonds
Suining Guangshun Ship Equipment Installation Co., Ltd.	2,328,000.00	Security deposit
Tongzhou Construction General Contracting Group Co., Ltd.	1,788,642.58	Performance bonds
Eurocrane China Co., Ltd.	1,459,906.00	Performance bonds
Yueyang Guangxin Guangfa Electrical Engineering Co., Ltd.	1,449,000.00	Security deposit
Xuzhou Guanghong Ship Equipment Installation Co., Ltd.	1,371,000.00	Security deposit
Fuyang Fengfa Electrical Engineering Co., Ltd.	840,000.00	Security deposit
Jiujiang Tongguang Marine Engineering Co., Ltd.	798,000.00	Security deposit
Hukou Yuanfang Marine Engineering Co., Ltd.	624,000.00	Security deposit
Xuzhou Tairun Ship Steel Structures Co., Ltd.	600,000.00	Security deposit
Total	34,614,123.65	

33. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due with one year	4,482,400,000.00	5,675,200,000.00
Total	4,482,400,000.00	5,675,200,000.00

34. Other current liabilities

(1) Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Long-term project settlement	5,407,233,010.85	8,762,598,108.54
Including: Shipbuilding products	5,407,233,010.85	8,762,598,108.54
Short-term deferred income	6,212,549.77	6,229,847.48
Including: Government grants	6,212,549.77	6,229,847.48
Output tax to be transferred	34,779,914.08	45,404,539.26
Commercial acceptance bills endorsed and undue	79,659,400.00	
Advances from customers for shipbuilding orders cancelled	16,598,727.43	
Total	5,544,483,602.13	8,814,232,495.28

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

Item	Amount
Amount settled	9,867,657,148.17
Less: Accumulated cost incurred	4,458,484,463.38
Accumulated gross profit recognised	1,939,673.94
Projects that are settled but not yet completed under construction contract	5,407,233,010.85

(3) Government grants

Project	Beginning balance	New grants received during the year	Amount included in non-operating income during the year	Amount included in other income during the year	Amount offsetting cost during the year	Other changes	Ending balance	Relating to assets/ Relating to revenue
Offshore expansion projects	3,500,000.00			3,500,000.00		3,500,000.00	3,500,000.00	Relating to assets
Offshore engineering phase I	1,500,000.00			1,500,000.00		1,500,000.00	1,500,000.00	Relating to assets
Enterprise technology centre innovation capability development project	300,000.00			300,000.00		300,000.00	300,000.00	Relating to assets
Offshore platform project	300,000.00			300,000.00		300,000.00	300,000.00	Relating to assets
Self-propelled hydraulic flatbed trailer	166,666.68			166,666.68		166,666.68	166,666.68	Relating to assets
Coating technology process and transformation	153,698.64			153,698.64		153,698.64	153,698.64	Relating to assets
Technical upgrading for new ship research equipment	142,191.84			142,191.84		142,191.84	142,191.84	Relating to assets
Base construction subsidy	62,182.78		62,182.78			62,182.78	62,182.78	Relating to assets
No. 1 Dock adaptive transformation (1)	33,333.36			33,333.36		33,333.36	33,333.36	Relating to assets
No. 1 Dock adaptive transformation	26,666.64			26,666.64		26,666.64	26,666.64	Relating to assets
Noise control engineering for painting workshop	15,789.48			15,789.48		15,789.48	15,789.48	Relating to assets
Noise control engineering for new area	9,519.96			9,519.96		9,519.96	9,519.96	Relating to assets
Metering scientific instruments for the Group	9,999.96			9,999.96		2,500.39	2,500.39	Relating to assets
Post-utilisation grant for research and development expenses of enterprises		1,812,600.00	300,000.00	818,600.00	694,000.00			Relating to revenue
Research and development institution construction grant		1,000,000.00			1,000,000.00			
Immediately refunded value-added tax		1,435,301.70		1,435,301.70				
Transferring capabilities of regional value integration and upgrading technologies	9,798.14			9,798.14				Relating to assets
Corporate salary survey reward		400.00	400.00					Relating to revenue
Subsidies for 7 projects including marine passenger/ medical cargo elevators		360,400.00		360,400.00				Relating to revenue
Financial assistance for copyright and patent registration		32,470.00	32,470.00					
Total	6,229,847.48	4,641,171.70	395,052.78	8,781,966.40	1,694,000.00	6,212,549.77	6,212,549.77	

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

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35. Long-term borrowings

Type	Ending balance	Beginning balance
Guaranteed borrowings	1,332,000,000.00	2,108,000,000.00
Credit loans	11,293,257,000.00	11,905,757,000.00
Total	12,625,257,000.00	14,013,757,000.00
The carrying amount of the above borrowings shall be repaid as follows:		
Within one year	4,482,400,000.00	5,675,200,000.00
Over one year but less than two years after balance sheet date	4,908,000,000.00	3,345,700,000.00
Over two years but less than five years after balance sheet date	1,490,000,000.00	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	4,482,400,000.00	5,675,200,000.00
Amount shown under non-current liabilities	8,142,857,000.00	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 year, long-term borrowing of RMB500,000,000.00 was guaranteed by the Company for GSI, a subsidiary of the Company;

As at the end of the year, long-term borrowing of RMB500,000,000.00 was guaranteed by Wenchong Shipyard for Huangpu Wenchong;

As at the end of the year, long-term borrowing of RMB332,000,000.00 was guaranteed by Huangpu Wenchong for Wenchong Shipyard.

Details of interest rates: As at the end of the year, weighted average annual interest rate of long-term borrowings was 3.06%.

36. Long-term employee benefits payable

(1) Breakdown of long-term employee benefits payable

Item	Ending balance	Beginning balance
Post-employment benefits – net liabilities for defined benefit plans ^{Note}	203,570,067.56	214,851,674.88
Monetary housing allowance for retired employees	48,648,155.58	53,196,900.26
Financial assistance for property purchase	10,585,318.28	10,646,323.28
Medical insurance for retirees	946,218.81	703,150.85
Total	263,749,760.23	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).

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

Item	Current year	Last year
Beginning balance	214,851,674.88	225,775,354.01
Cost of defined benefits included in profit or loss for the period	7,867,460.82	7,895,960.19
1. Service cost for current period		
2. Service cost for previous period		
3. Gains on settlement (Loss expressed with “-”)		
4. Net interest	7,867,460.82	7,895,960.19
Cost of defined benefits included in other comprehensive income		
1. Gains on settlement (Loss expressed with “-”)		
Other changes	-19,149,068.14	-18,819,639.32
1. Liabilities eliminated upon settlement		
2. Benefits paid	-19,149,068.14	-18,819,639.32
Ending balance	203,570,067.56	214,851,674.88

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

Item	Current year	Last year
Beginning balance	214,851,674.88	225,775,354.01
Cost of defined benefits included in profit or loss for the period	7,867,460.82	7,895,960.19
Cost of defined benefits included in other comprehensive income		
Other changes	-19,149,068.14	-18,819,639.32
Ending balance	203,570,067.56	214,851,674.88

37. Special payables

Project	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Project A	17,850,000.00			17,850,000.00
Project B	6,720,000.00			6,720,000.00
Project C	26,600,000.00			26,600,000.00
Project D	4,500,000.00			4,500,000.00
Project E	43,700,000.00			43,700,000.00
Project F	241,969,744.58		241,969,744.58	
Project G	267,000,000.00		267,000,000.00	
Project H	192,700,000.00		192,700,000.00	
Project I	168,150,000.00		168,150,000.00	
Project J	71,650,000.00		71,650,000.00	
Project K	271,400,000.00	22,240,000.00	293,640,000.00	
Project M	78,100,000.00		78,100,000.00	
Project N		146,400,000.00	146,400,000.00	
Total	1,390,339,744.58	168,640,000.00	1,459,609,744.58	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 year 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, which was included in “minority interests” in the financial statements.

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Note 3: The projects completed, inspected and accepted as at the end of the year are as follows:

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

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

38. Estimated liabilities

Project	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	398,743,710.66	338,479,564.46	Warranty cost of ships and electromechanical products
Loss-making construction contracts	70,160,900.93	106,547,250.57	Note
Others	65,910,344.68	65,910,344.68	
Total	534,814,956.27	510,937,159.71	

Note: Please refer to Note VI.8.(2) for details of loss-making construction contracts.

39. Deferred income

(1) Breakdown of deferred income

Project	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Government grants	67,514,328.51	51,771,480.38	87,390,104.62	31,895,704.27
Total	67,514,328.51	51,771,480.38	87,390,104.62	31,895,704.27

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(2) Projects with government grants

Projects with government grants	Beginning balance	New grants received during the year	Amount included in non-operating income during the year	Amount offsetting cost	Other decrease	Ending balance	Relating to assets/ Relating to revenue
Offshore expansion projects	10,500,000.00				3,500,000.00	7,000,000.00	Relating to assets
Separation and transfer of water, power and gas supply and property management business	11,580,000.00		5,537,773.14			6,042,226.86	Relating to assets
Offshore engineering phase I	4,500,000.00				1,500,000.00	3,000,000.00	Relating to assets
Research of comprehensive building process and technology	6,362,503.60			3,900,543.16		2,461,960.44	Relating to revenue
Research of the information and industrialization integration system and the development of new ability		1,600,000.00				1,600,000.00	Relating to revenue
Base construction subsidy	1,623,300.58				62,182.79	1,561,117.79	Relating to revenue
Offshore platform project	1,800,000.00				300,000.00	1,500,000.00	Relating to assets
09E013	1,400,000.00					1,400,000.00	Relating to revenue
13D01	616,900.00					616,900.00	Relating to revenue
No. 1 Dock adaptive transformation (1)	633,333.04				33,333.36	599,999.68	Relating to revenue
Post-R&D grant for enterprises		3,707,200.00		3,147,200.00		560,000.00	Relating to revenue
Self-propelled hydraulic flatbed trailer	708,333.23				166,666.68	541,666.55	Relating to revenue
Special grant for the research of large liners		1,100,000.00		584,518.04		515,481.96	Relating to revenue
Coating technology process and transformation	640,410.88				153,698.64	486,712.24	Relating to revenue
No. 1 Dock adaptive transformation	506,667.28				26,666.64	480,000.64	Relating to revenue
Technical upgrading for new ship research equipment	568,766.64				142,191.84	426,574.80	Relating to revenue
Research of advanced solid/fusion welding technologies for thin-walled ship hull		720,000.00		360,000.00		360,000.00	Relating to revenue
Enterprise technology centre innovation capability development project	600,000.00				300,000.00	300,000.00	Relating to revenue
Research and manufacture of drilling wave compensation device	8,400,000.00			8,400,000.00			Relating to revenue
Post-R&D grant		8,352,400.00		8,352,400.00			Relating to revenue
Research of building process for ships	3,000,000.00	5,300,000.00		8,300,000.00			Relating to revenue
Research and development of key technologies for meter deepwater drillships	7,000,000.00			7,000,000.00			Relating to revenue
Development of dual-fuel high-speed luxury Ro/Ro ships		5,700,000.00		5,700,000.00			Relating to revenue
Research of key technologies for polar deck ships		4,950,000.00		4,950,000.00			Relating to revenue
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things		3,000,000.00		3,000,000.00			Relating to revenue
Self-development of diving support ships	1,900,000.00	100,000.00		2,000,000.00			Relating to revenue
Research and development and demonstration application of comprehensive management system for vessel equipment		1,200,000.00		1,200,000.00			Relating to revenue
Development and industrialization of intelligent manufacturing integrated platform for marine products	387,454.87	1,300,000.00		1,687,454.87			Relating to revenue
Research and development of key technologies for ships		1,300,000.00		1,300,000.00			Relating to revenue
Technical research and system development of key technologies for green cargo control for large bituminous ships	588,000.00	360,000.00		948,000.00			Relating to revenue
Research of key technologies for polar multi-purpose ships	600,000.00			600,000.00			Relating to revenue
Construction of provincial research and development centre for marine operation ships and platform engineering	500,000.00			500,000.00			Relating to revenue
Research and development of power balance control system for large refrigerated container ships	330,000.00			330,000.00			Relating to revenue
Others	2,768,658.39	13,081,880.38	1,233,509.84	12,146,155.79	27,809.83	2,443,063.31	Others
Total	67,514,328.51	51,771,480.38	6,771,282.98	74,406,271.86	6,212,549.78	31,895,704.27	

Note: "Other decrease" amounted to RMB6,212,549.78 in the year, as government grant expected to be recognised as profit within one year was transferred to "Other current liabilities".

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40. Share capital

Changes in 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	345,940,890.00	24.47				-345,940,890.00	-345,940,890.00		
Including: Shares held by overseas legal persons	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 year, 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	345,940,890.00	24.47						345,940,890.00	24.47
Including: Shares held by overseas legal persons	345,940,890.00	24.47						345,940,890.00	24.47
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Note: Last 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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41. Capital reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	6,783,877,295.10	22,799.50		6,783,900,094.60
Other capital reserve	65,728,105.74	341,436.28		66,069,542.02
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	6,867,866,279.63	364,235.78		6,868,230,515.41

Note 1: Share premium increased by RMB22,799.50 during the year, due to the difference between the consideration for the transfer of certain equity interest in Xingji by Huangpu Wenchong, a subsidiary of the Company, without loss of control, and the share of the net assets of Xingji.

Note 2: Other capital reserve increased by RMB341,436.28 during the year, as a result of change in equity other than comprehensive income of Zhenjiang CSSC Equipment Modern Co., Ltd., an associate of the Company, for 2017.

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	6,783,877,295.10			6,783,877,295.10
Other capital reserve	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: Last year, other capital reserve 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.

42. Other comprehensive income

Current 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 expense	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	-61,938,500.00						-61,938,500.00
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	1,497,282.55	172,800.43		60,087.72	113,388.22	-675.51	1,610,670.77
Including: Gains and losses from changes in fair value of available-for-sale financial assets	1,497,282.55	240,350.88		60,087.72	180,263.16		1,677,545.71
Exchange differences arising from translation of foreign currency financial statements		-67,550.45			-66,874.94	-675.51	-66,874.94
Total other comprehensive income	-60,441,217.45	172,800.43		60,087.72	113,388.22	-675.51	-60,327,829.23

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Last year

Item	Beginning balance	Amount for the year before income tax	Current year			Ending balance
			Less: Amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expense	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

43. Special reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee	929,231.60	79,840,637.57	78,759,191.21	2,010,677.96
Total	929,231.60	79,840,637.57	78,759,191.21	2,010,677.96

Including: Special reserve falling under equity attributable to owners of the Company amounted to RMB2,010,677.96 (Last year: RMB929,231.60).

Note: The increase in production safety fee in the year was due to normal withdrawal of production safety fee in accordance with the Management Measures for the Withdrawal and Utilisation of Production Safety Fee, and the decrease was mainly due to safety protection equipment expense and production safety education and training expense.

Last year

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

44. Surplus reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	932,363,971.49	10,157,083.59		942,521,055.08
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	952,284,741.72	10,157,083.59		962,441,825.31

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

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Last year

Project	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

45. Undistributed profit

Item	Current year	Last year
Ending balance of last year	1,173,657,685.44	1,153,355,946.59
Add: Beginning adjustment to undistributed profit		
Beginning balance of the year	1,173,657,685.44	1,153,355,946.59
Add: Net profit attributable to owners of the Company for the year	87,796,591.29	71,224,250.43
Less: Statutory surplus reserve set aside	10,157,083.59	8,517,320.24
Discretionary surplus reserve set aside		
General reserve made		
Dividends payable on ordinary shares	22,616,102.05	42,405,191.34
Ending balance of the year	1,228,681,091.09	1,173,657,685.44

Description of profit distribution:

Pursuant to the Proposal for Profit Distribution for 2016 approved at the general meeting of the Company held on 26 May 2017, the Company distributed cash dividends of RMB0.16 (inclusive of tax) for every 10 shares to all shareholders, totalling RMB22,616,102.05 based on the number of issued shares of 1,413,506,378.

46. Minority interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Guangzhou Hongfan Technology Co., Ltd.	49.00	17,257,656.48	16,775,176.25
Guangzhou Longxue Pipe Co., Ltd.	57.14	32,077,509.07	29,281,451.89
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	40.00	1,226,756.86	1,224,021.08
Fonkwang Development Limited	20.00	16,631,831.30	12,937,179.26
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	19.50	618,830.56	542,285.71
Guangzhou Xinhang Human Resources Service Co., Ltd.	25.00	899,525.07	913,456.34
Guangzhou Longxue Properties Co., Ltd.	33.33	68,371.71	62,974.89
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	62.50	3,192,897.17	1,259,800.33
Wah Shun International Marine Limited	1.00	8,037.37	
Wah Loong International Marine Limited	1.00	8,049.41	
Guangzhou Shipyard International Company Limited	Note	293,640,000.00	
CSSC Huangpu Wenchong Shipbuilding Company Limited	Note	1,165,969,744.58	
Total	-	1,531,599,209.58	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. 37 Special payables.

47. Net current assets

Item	Ending balance	Beginning balance
Current assets	29,575,601,254.15	30,577,491,173.76
Less: Current liabilities	23,137,420,175.12	25,270,541,008.68
Net current assets	6,438,181,079.03	5,306,950,165.08

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48. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	44,157,662,027.63	46,268,585,829.63
Less: Current liabilities	23,137,420,175.12	25,270,541,008.68
Total assets less current liabilities	21,020,241,852.51	20,998,044,820.95

49. Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	2,675,414,975.00	445,636,500.54
Non-current liabilities due within one year	4,482,400,000.00	5,675,200,000.00
Long-term borrowings	8,142,857,000.00	8,338,557,000.00
Total	15,300,671,975.00	14,459,393,500.54

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	9,293,414,975.00	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	4,262,400,000.00	2,972,400,000.00
– Other borrowings repayable after 5 years		500,000,000.00
Total	15,300,671,975.00	14,459,393,500.54

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	7,157,814,975.00	6,120,836,500.54
1-2 years	4,908,000,000.00	3,345,700,000.00
2-5 years	1,490,000,000.00	2,748,000,000.00
Over 5 years	1,744,857,000.00	2,244,857,000.00
Total	15,300,671,975.00	14,459,393,500.54

50. Operating income & Operating costs

Item	Current year	Last year
Revenue from principal business	22,068,390,246.16	23,077,218,771.82
Income from other business	244,991,691.88	272,386,125.87
Total	22,313,381,938.04	23,349,604,897.69
Costs of principal business	20,746,447,426.94	21,496,215,754.88
Costs of other business	200,441,304.53	217,492,258.29
Total	20,946,888,731.47	21,713,708,013.17

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Gross profit from principal business

Item	Current year	Last year
Revenue from principal business	22,068,390,246.16	23,077,218,771.82
Costs of principal business	20,746,447,426.94	21,496,215,754.88
Gross profit	1,321,942,819.22	1,581,003,016.94

Income from building contracts

Item	Current year	Last year
Income from building contracts	20,532,587,272.11	21,466,878,717.33

(1) Principal business – by product

Product	Current year	Last year
Operating income		
Shipbuilding	18,019,685,451.60	18,754,775,750.13
Offshore engineering products	2,149,511,747.39	2,577,790,855.88
Ship maintenance	240,980,902.48	384,298,812.73
Steel structure engineering	1,009,381,917.95	900,321,575.21
Electromechanical products and others	648,830,226.74	460,031,777.87
Total	22,068,390,246.16	23,077,218,771.82
Operating costs		
Shipbuilding	16,778,382,132.50	17,849,283,111.95
Offshore engineering products	2,276,550,433.21	2,190,171,776.63
Ship maintenance	226,177,355.67	305,032,157.86
Steel structure engineering	886,436,024.23	803,930,677.36
Electromechanical products and others	578,901,481.33	347,798,031.08
Total	20,746,447,426.94	21,496,215,754.88

(2) Principal business – by region

Region	Current year	Last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	15,076,725,666.01	15,938,941,577.42
Other regions in Asia	1,910,696,025.11	1,670,867,043.34
Europe	3,704,884,516.76	4,691,379,889.36
Oceania	367,697,785.00	592,565,668.85
North America	785,053,651.23	15,518,639.24
Africa	67,588,288.81	167,945,953.61
South America	155,744,313.24	
Total	22,068,390,246.16	23,077,218,771.82
Operating costs		
China (including Hong Kong, Macau and Taiwan)	13,937,282,583.06	14,710,069,491.33
Other regions in Asia	1,808,319,098.90	1,649,228,596.61
Europe	3,661,276,288.67	4,386,680,409.29
Oceania	395,581,284.12	573,690,921.80
North America	787,374,155.93	19,627,963.40
Africa	29,791,295.74	156,918,372.45
South America	126,822,720.52	
Total	20,746,447,426.94	21,496,215,754.88

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(3) Other operating income and other operating costs

Product name	Current year	Last year
Income from other business		
Sales of materials	39,811,511.03	48,895,779.75
Sales of scrap materials	70,275,401.83	52,853,141.07
Service income	10,332,621.35	11,200,125.03
Rental income	67,064,333.77	91,384,340.83
Energy income	45,156,731.51	58,607,482.88
Others	12,351,092.39	9,445,256.31
Total	244,991,691.88	272,386,125.87
Costs of other business		
Sale of materials	43,369,941.31	45,858,963.14
Sales of scrap materials	51,806,549.21	39,661,044.40
Service income	5,869,716.36	8,659,367.59
Rental income	47,897,896.22	63,152,982.68
Energy income	44,462,796.23	59,021,041.24
Others	7,034,405.20	1,138,859.24
Total	200,441,304.53	217,492,258.29

(4) Revenue from contractual projects

Contract item	Total contract amount	Accumulated cost incurred	Accumulated gross profit recognized	Amount settled	Provision for obsolete stocks as at the end of the year
Fixed price contracts					
Total contracts under construction	63,688,371,381.22	24,878,318,317.19	837,230,971.58	23,389,355,315.00	298,699,306.89
Special ships	35,342,622,301.00	11,306,532,514.74	847,907,346.43	15,448,066,614.80	41,966,701.00
Offshore engineering products	8,230,390,932.08	5,050,868,150.30	-75,292,796.53	2,324,966,728.99	33,270,544.34
Tankers for product oil/chemicals	5,639,518,840.00	2,563,237,536.66	-27,457,584.46	1,524,473,907.50	131,549,835.23
Containerships	4,799,138,717.06	1,453,941,848.58	237,544.93	893,442,753.25	34,917,022.81
Ro-ro passenger ships	2,590,402,000.00	1,603,495,896.59	10,106,711.78	1,294,763,764.10	
Crude oil tankers	2,512,789,800.00	1,029,613,512.99	84,115,383.78	589,896,200.00	
Bulk carriers	1,717,967,382.54	973,553,157.34	6,776,457.53	400,720,554.82	43,788,278.84
Dredgers	1,256,820,000.00	200,010,687.26		245,337,520.16	
Ore carriers	982,560,000.00	330,833,401.89		364,427,232.00	11,994,879.39
Non-ship building contracts	616,161,408.54	366,231,610.84	-9,162,091.88	303,260,039.38	1,212,045.28

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	Relationship with the Group	Current year	Percentage of total operating income (%)
First	Third party	9,021,783,443.47	40.88
Second	Third party	985,878,466.96	4.47
Third	Third party	762,115,459.62	3.45
Fourth	Third party	723,751,354.85	3.28
Fifth	Third party	709,258,316.46	3.21
Total		12,202,787,041.36	55.30

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(6) Purchase amounts from top five suppliers

Supplier	Relationship with the Group	Amount	Percentage of total operating costs (%)
First	Under common control of CSSC	2,751,070,355.74	13.26
Second	Third party	777,810,896.69	3.75
Third	Under common control of CSSC	566,042,515.39	2.73
Fourth	Third party	439,655,924.53	2.12
Fifth	Third party	344,215,000.00	1.66
Total		4,878,794,692.35	23.52

51. Taxes and surcharges

Item	Current year	Last year
Business tax		2,834,725.10
Urban maintenance and construction tax	14,206,831.83	14,815,934.20
Educational surcharge	10,151,733.10	10,592,545.93
Property tax	27,804,517.25	19,684,694.34
Land use tax	10,976,319.40	12,787,302.69
Stamp duty	9,230,346.72	9,800,208.30
Vehicle usage tax	292,087.68	34,875.78
Flood control fee		29,194.28
Total	72,661,835.98	70,579,480.62

52. Selling expense

Item	Current year	Last year
Product quality warranty	136,947,488.68	54,704,091.37
Employee salaries	21,604,269.22	21,423,319.69
Transportation fees	2,815,881.34	2,573,501.29
Business expenditure	3,989,041.78	5,009,965.76
Advertising fee	1,534,826.18	1,418,498.07
Exhibition fees	2,988,201.59	3,732,126.08
Depreciation charge	66,355.13	107,036.51
Packaging fees	30,967.53	21,575.73
Insurance premium	20,052,187.72	24,841,047.16
Travelling expense	1,536,650.93	1,222,414.56
Other selling expenses	4,039,080.51	1,690,244.49
Total	195,604,950.61	116,743,820.71

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53. Administrative expenses

Item	Current year	Last year
Research and development expenses	374,304,448.28	440,321,697.27
Employee salaries	393,961,613.81	404,069,488.42
Repairing expenses	163,567,155.55	232,403,080.59
Amortisation of intangible assets	53,094,004.09	53,191,234.60
Depreciation charge	49,177,273.37	49,077,476.08
Lease expenses	40,022,385.38	37,573,970.35
Security expense	19,101,513.41	32,073,439.01
Environmental protection fee	19,054,058.68	20,188,972.76
Taxation		13,739,534.05
Utilities expense	10,495,214.79	11,234,312.68
Travelling expense	9,758,386.80	10,941,531.77
Information management fees	10,216,432.08	10,068,109.45
Business entertainment expenses	6,122,645.84	7,220,333.54
Litigation fees	26,136,482.16	6,081,266.98
Office expenses	4,195,138.37	4,905,300.24
Insurance premium	3,518,459.53	4,850,986.75
Intermediary fee	4,407,401.22	4,687,121.84
Consulting fees	4,321,208.65	4,652,620.16
Board meeting fee	3,797,248.21	4,121,588.39
Warehouse fees	759,585.79	4,079,078.55
Logistics service fees	4,927,885.22	4,380,622.42
Others	55,183,080.01	35,698,253.07
Total	1,256,121,621.24	1,395,560,018.97

54. Finance cost

(1) Breakdown of finance costs

Item	Current year	Last year
Interest expenses	391,358,096.85	457,366,076.46
Less: Interest income	172,777,471.91	350,493,138.33
Add: Exchange losses	299,608,522.21	-159,441,673.70
Add: Other expenses	10,587,400.31	34,622,187.90
Total	528,776,547.46	-17,946,547.67

(2) Breakdown of interest expenses

Item	Current year	Last year
Interest on bank loans and overdraft		
Interest on bank borrowings due within 5 years	266,486,676.23	410,881,399.54
Other borrowings		
Interest on other borrowings due within 5 years	170,878,649.99	49,097,562.78
Other interest expenses	8,341,547.15	6,123,292.57
Sub-total	445,706,873.37	466,102,254.89
Less: Interest capitalised	9,278,776.52	8,736,178.43
Less: Interest subsidy	45,070,000.00	
Total	391,358,096.85	457,366,076.46

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(3) Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	172,777,471.91	326,129,452.53
Interest income from receivables		24,363,685.80
Total	172,777,471.91	350,493,138.33

55. Loss on impairment of assets

Project	Current year	Last year
Loss on bad debts	-8,078,438.28	33,669,900.59
Loss on impairment of inventories	196,279,543.32	173,406,789.59
Loss on impairment of fixed assets		1,752,651.50
Loss on impairment of available-for-sale financial assets	5,038,255.45	
Total	193,239,360.49	208,829,341.68

56. Gain/loss on change in fair value

Item	Current year	Last year
Financial assets at fair value through profit or loss	6,602,255.91	-13,063,411.11
Financial liabilities at fair value through profit or loss	-3,366,294.31	181,241,917.70
Total	3,235,961.60	168,178,506.59

57. Investment income

Item	Current year	Last year
Gain on long-term equity investments accounted for using equity method	-1,600,524.97	1,779,996.01
Investment income from disposal of long-term equity investments	74,229,303.45	26,896,200.00
Investment income from disposal of financial assets at fair value through profit or loss	8,214,478.00	-153,955,707.44
Investment income from holding entrusted wealth management products	64,625,451.49	75,873,758.87
Investment income from holding available-for-sale financial assets	1,024,478.82	1,034,272.27
Other	950,369.02	
Total	147,443,555.81	-48,371,480.29

The investment income from investment in listed companies and non-listed companies for the year amounted to RMB150,980.73 (Last year: RMB149,621.74) and RMB147,292,575.08 (Last year: RMB-48,521,102.03), respectively.

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58. Other income

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Special post-R&D grant for enterprises in Guangzhou for 2016	16,247,400.00		National government subsidy	Relating to revenue
Post-R&D grant	6,152,000.00		Technology and Information Bureau	Relating to revenue
Offshore expansion projects	3,500,000.00		Huangpu district government	Relating to assets
Innovation and development fund for advanced manufacturing industry in Guangzhou for 2017	3,000,000.00		National government subsidy	Relating to assets
Offshore engineering phase I	1,500,000.00		Huangpu district government	Relating to assets
Immediately refunded value-added tax	1,435,301.70		National government subsidy	Relating to revenue
Pre-research grant for the integration of military and civil products from Guangzhou Industry and Information Bureau	1,000,000.00		Guangzhou Municipal Finance Bureau	Relating to revenue
Special fund for supporting large core enterprise development from the Industry and Information Technology Commission of Guangzhou Municipality	1,000,000.00		Industry and Information Technology Commission of Guangzhou Municipality	Relating to revenue
Special grant of Nansha Development Zone for transformation and upgrading of processing trade for 2016 from Guangzhou Nansha Development Zone Finance Bureau (Measurement and Inspection Centre)	1,000,000.00		Nansha Development District Finance Bureau	Relating to revenue
Special post-utilisation grant for research and development expenses of enterprises in Guangzhou	818,600.00		Guangzhou Municipal Finance Bureau	Relating to revenue
Special funds for development of service outsourcing in Nansha, Guangzhou	478,700.00		Guangzhou Municipal Finance Bureau	Relating to revenue
Subsidies for 7 projects including marine passenger/medical cargo elevators	360,400.00		Guangzhou Municipal Finance Bureau	Relating to revenue
Special fund for domestic and overseas economy and trading development and port construction from Guangzhou Municipal Commission of Commerce for 2016	300,000.00		Guangzhou Municipal Finance Bureau	Relating to revenue
Offshore platform project	300,000.00		Huangpu district government	Relating to assets
Enterprise technology centre innovation capability development project	300,000.00		National government subsidy	Relating to assets
Award for cultivation of hi-tech enterprises for 2016	300,000.00		Guangzhou Municipal Finance Bureau	Relating to revenue
R&D grant	223,000.00		Guangzhou Municipal Finance Bureau	Relating to revenue
Grant for acceptance of application for hi-tech enterprise	200,000.00		Nansha Development District Finance Bureau	Relating to revenue
Self-propelled hydraulic flatbed trailer	166,666.68		National government subsidy	Relating to assets
Coating technology process and transformation	153,698.64		Guangzhou Municipal Finance Bureau	Relating to assets
Technical upgrading for new ship research equipment	142,191.84		Commission for Science, Technology and Industry for National Defense	Relating to assets
Award for passing hi-tech enterprise certification	60,000.00		Nansha Development District Finance Bureau	Relating to revenue
Grant for ship pipes high-efficiency production technology upgrading project	51,899.84		Guangzhou Municipal Finance Bureau	Relating to revenue
No. 1 Dock adaptive transformation (1)	33,333.36		Guangdong Provincial Finance Department	Relating to assets
No. 1 Dock adaptive transformation	26,666.64		Guangzhou Municipal Finance Bureau	Relating to assets
Noise control engineering for painting workshop	15,789.48		Municipal Environmental Protection Bureau	Relating to assets
Metering scientific instruments for the Group	9,999.96		Commission for Science, Technology and Industry for National Defense	Relating to assets
Transferring capabilities of regional value integration and upgrading technologies	9,798.14		Commission for Science, Technology and Industry for National Defense	Relating to assets
Noise control engineering for new area	9,519.96		Guangzhou Municipal Environmental Protection Bureau	Relating to assets
Total	38,794,966.24			

59. Non-operating income

(1) Breakdown of non-operating income

Item	Current year	Last year	Amount included in non-recurring gains and losses during the year
Gain on disposal of non-current assets	1,790,991.99	2,302,601.24	1,790,991.99
Including: Gain on disposal of fixed assets	1,790,991.99	2,302,601.24	1,790,991.99
Government grants	11,836,275.93	206,083,062.71	11,836,275.93
Land compensation for GSI	826,965,300.00		826,965,300.00
Shipbuilding order cancellation compensation	15,908,360.00		15,908,360.00
Penalty income	697,800.71	350,465.70	697,800.71
Compensation income	4,906,165.35	2,529,023.43	4,906,165.35
Others	1,944,684.43	4,905,259.77	1,944,684.43
Total	864,049,578.41	216,170,412.85	864,049,578.41

The amount included in non-recurring gains and losses for current period was RMB864,049,578.41 (previous year: RMB135,827,015.73)

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(2) Breakdown of government grants

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Subsidy for separation and transfer of water, power and gas supply and property management business	5,537,773.14		National government subsidy	Relating to revenue
Export credit insurance subsidy for polar condensate tankers	1,195,800.00		Guangzhou Municipal Finance Bureau	Relating to revenue
Incentive subsidy for contribution to local economic development by headquarters	1,400,000.00		National government subsidy	Relating to revenue
Steady industrial growth bonus	2,000,000.00	2,030,000.00	National government subsidy	Relating to revenue
Research of shipbuilding process and technology		3,189,746.59	National government subsidy	Relating to revenue
Development of dual-fuel high-speed luxury Ro/Ro ships		7,600,000.00	MIT	Relating to revenue
Research of comprehensive ship building process and technology		5,000,000.00	National government subsidy	Relating to revenue
Third batch of technological funding arrangement for 2015		4,925,125.00	Shui Ke Chuang Zi [2015] No. 6	Relating to revenue
Technological innovation special fund		4,925,125.00	Sui Ke Xin [2014] No. 2	Relating to revenue
Export credit insurance special funds for 2015		4,000,000.00	Liwan District Financial and Treasury Payment Centre in Guangzhou, Sui Cai Jing [2015] No. 354	Relating to revenue
Special funds for cultivation of provincial high-tech enterprises for 2015		3,311,700.00	Shui Ke Chuang Zi [2015] No. 186	Relating to revenue
Land use tax relief		1,627,468.66	Liwan District Local Taxation Bureau, Cai Shui Zi [1995] No. 27	Relating to revenue
Property tax relief		1,236,992.39	Liwan District Local Taxation Bureau, Circular (87) Yue Shui San Zi No. 023	Relating to revenue
Research of key technologies for polar deck ships		4,950,000.00	MIT	Relating to revenue
Development and industrialization of intelligent manufacturing integrated platform for marine products		1,012,545.13	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
Special grants for key enterprises conducting industrial transformation and upgrading for 2016		1,000,000.00	National government subsidy	Relating to revenue
Offshore expansion project		3,500,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao Ji Gai [2009] No. 666, Yue Jing Mao [2009] No. 870	Relating to assets
Offshore engineering phase I		1,500,000.00	Yue Cai Gong [2010] No. 445	Relating to assets
Offshore platform project		300,000.00	Sui Fa Gai [2013] No. 308	Relating to assets
Research and development of diving support ships		3,000,000.00	Gong Xin Bu Lian Zhuang [2014] No. 507	Relating to revenue
Research and development of key technologies for meter deepwater drillships		5,000,000.00	Chuan Gong Ke [2013] No. 912	Relating to revenue
Subsidy for supplementing and improving maritime engineering equipment production facilities construction		5,000,000.00	National government subsidy	Relating to revenue
Research and manufacture of drilling wave compensation device		1,850,000.00	Chuan Gong Ke [2014] No. 22	Relating to revenue
Research of key technologies for polar multi-purpose ships		1,080,000.00	Gong Xin Bu Lian Zhuang [2014] No. 507	Relating to revenue
Dividends		25,993,771.00	Ministry of Finance	Relating to revenue
Research of shipbuilding process		3,000,000.00	National government subsidy	Relating to revenue
Post subsidies from Huangpu District Government for research and development expenses in 2014		7,680,600.00	National government subsidy	Relating to revenue
Research of assembly and building process for domestic ancillary facilities		2,000,000.00	National government subsidy	Relating to revenue
Research and development of semi-submerged engineering ships		6,827,333.64	National Development and Reform Commission	Relating to revenue
Job stabilization subsidy		7,162,708.41	Sui Ren She Fa [2016] No. 6	Relating to revenue
Grant for insurance premium for first piece (set)		53,210,000.00	National government subsidy	Relating to revenue
Funding encouraging transformation and upgrading of industrial enterprises and production expansion for 2015		10,000,000.00	Sui Kai Guan Ban [2015] No. 35	Relating to revenue
Special provincial financial subsidies for 2015		4,063,300.00	Shui Ke Chuang Zi [2016] No. 68	Relating to revenue
Research and development of key ship technologies		1,700,000.00	Ke Gong Ji [2016] No. 637	Relating to revenue
Post subsidy		2,681,200.00	Shui Ke Chuang Zi [2016] No. 203	Relating to revenue
Other projects	1,702,702.79	14,806,780.52		
Total	11,836,275.93	206,083,062.71		

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(3) Description of land compensation for GSI

On 17 November 2017, GSI, a subsidiary of the Company, and Guangzhou Shipyard Shipping Co., Ltd. ("Guangzhou Shipyard Shipping") entered into the Agreement in relation to Compensation for Relocation from the Liwan Plant Land of GSI. The principal terms of the agreement include: 1) GSI agreed to actively coordinate with the government for the finalisation of the Detailed Regulatory Plan and Guangzhou Shipyard Shipping agreed to pay compensation of RMB2,100/square metre to GSI; 2) both parties agreed that through active coordination of GSI, Guangzhou Municipal Land Development Centre entered into the Agreement for Compensation for Acquisition of the State-owned Land Use Right in respect of the Land at the Liwan Plant of GSI on 11 August 2017. GSI shall actively coordinate with the relevant government authorities to ensure that the Detailed Regulatory Plan is approved by the government by 30 December 2017; and Guangzhou Shipyard Shipping agreed to pay compensation of RMB826,965,300 to GSI before 30 December 2017.

In the process of transaction, the relocation of GSI was under smooth progress. With the active coordination of GSI, the Agreement for Compensation for Acquisition of the State-owned Land Use Right in respect of the Land at the Liwan Plant of GSI was successfully entered into, and the Detailed Regulatory Plan for the GSI land was approved by the government before 31 December 2017. The obligations of GSI under the agreement had been performed, and the compensation paid by Guangzhou Shipyard Shipping in the amount of RMB826,965,300 was received before 31 December 2017, which was recognized by GSI as its "non-operating income" for 2017.

(4) Description of profit from disposal of properties

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

60. Non-operating expenses

Item	Current year	Last year	Amount included in non-recurring gains and losses for the year
Loss on disposal of non-current assets	4,061,806.26	10,722,317.94	4,061,806.26
Including: Loss on disposal of fixed assets	4,061,806.26	10,722,317.94	4,061,806.26
Fines	575,357.11	15,422.64	575,357.11
External donations	276,746.00	1,699,723.00	276,746.00
Others	217,533.49	66,235,936.48	217,533.49
Total	5,131,442.86	78,673,400.06	5,131,442.86

The amount included in non-recurring profit and loss for the year was RMB5,131,442.86 (Last year: RMB78,673,400.06).

61. Income tax expense

(1) Income tax expense

Item	Current year	Last year
Current income tax calculated in accordance with the tax law and relevant regulations	24,714,547.15	59,819,350.53
– PRC enterprise income tax	13,754,887.95	50,035,538.78
– Hong Kong profits tax	10,922,990.12	9,814,849.13
– Macau income tax	36,669.08	-31,037.38
Deferred income tax expenses	43,127,811.56	-27,072,703.16
Total	67,842,358.71	32,746,647.37

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(2) Reconciliation of accounting profit and income tax expenses

Item	Current year
Total consolidated profit for the year	168,481,509.99
Income tax expenses calculated at statutory/applicable tax rate	42,120,377.50
Impact of different tax rates for subsidiaries	-7,179,146.44
Impact of adjustment for income tax for previous periods	629,337.01
Impact of non-taxable income	-211,746.64
Impact of non-deductible costs, expenses and losses	2,876,425.77
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-74,632,787.93
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	110,209,357.85
Other (including the effect of deduction)	-5,969,458.41
Income tax expense	67,842,358.71

62. Other comprehensive income

Please refer to Note VI (42) "Other comprehensive income" for details.

63. 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 LLP, and there has not been any change of auditor since 2011.

64. Depreciation and amortisation

Item	Current year	Last year
Depreciation of investment properties	628,712.16	628,712.16
Depreciation of fixed assets	671,545,789.65	661,376,968.72
Amortisation of intangible assets	63,396,438.65	58,510,981.04
Amortisation of long-term prepaid expenses	8,631,086.84	11,990,156.47
Total	744,202,027.30	732,506,818.39

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

At the 38th meeting of the eighth session of the Board and the first extraordinary general 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 related party 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.

The date of valuation for the equity transaction was 31 August 2016. As valued under the asset-based approach, the appraised value of net assets was RMB1,399,420,800. Compared to the carrying value of net assets of RMB1,306,862,900, the appreciation amount was RMB92,557,900 and the appreciation ratio was 7.08%. On this basis, the consideration for the transfer of 51% equity interest in GSI Yangzhou was determined to be RMB713,704,600. In May 2017, Jiangdu Land and Resource Bureau listed the land adjacent to the plant area of GSI Yangzhou and the buildings erected thereon with an area of 227,398 square metres for sale, and GSI Yangzhou successfully won the bid. The price for the land transaction was RMB131,051,200. GSI Yangzhou is required to pay RMB77,220,000 only and the relevant taxes and fees to obtain the land use right for such land and the ownership of the buildings erected on the land. The remaining RMB53,831,200 will be paid with the deposits in the special land premium account of Jiangdu District. As a result, there had been a significant change in the fair value of net assets of GSI Yangzhou, and the valuation results shall be adjusted in a reasonable manner. The fair value (appraised value) of net assets of GSI Yangzhou as at the date of competition was determined to be RMB1,453,252,000. As a result, the transaction price for the transfer of 51% equity interest in GSI Yangzhou was adjusted to RMB741,158,500.

On 8 August 2017, the Company and CSSC entered into an ownership transfer contract. On 31 August 2017, the procedures for the business change and asset transfer for GSI Yangzhou was completed. On 1 September 2017, CSSC issued the Letter in respect of Nomination of Directors of GSI Yangzhou Co., Ltd., which stated that CSSC "nominated three directors of GSI Yangzhou, being Chen Qiongxian, Li Zhidong and Ouyang Beijing, with effect from 1 September 2017". By then, the Company and CSSC held 49% and 51% equity interest in GSI Yangzhou, respectively. The procedures for transfer of control had been completed, and the Company's disposal of 51% equity interest in GSI Yangzhou was fully completed and all consideration for the transfer had been received. When preparing the consolidated financial statements, the remaining 49% equity interest was re-measured at the fair value on the date of loss of control. The difference between the sum of the consideration for equity transfer and the fair value of the remaining equity interest and the share of net assets of GSI Yangzhou based on the previous shareholding percentage in the amount of RMB74,229,303.45 was included in investment income.

The Company's gain (or loss) on disposal of properties in 2017 was nil.

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66. Operating rental expense

Operating rental expense for the year is RMB220,106,781.76 (Last year: RMB246,674,309.32), of which rental expense for machinery and equipment is RMB38,043,561.73 (Last year: RMB74,821,540.62).

67. Rental income

Operating rental income for the year is RMB67,064,333.77 (Last year: RMB91,384,340.83), including rental income from land and buildings of RMB25,580,646.17 (Last year: RMB60,019,654.33).

68. 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.

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

Item	No.	Current year	Last year
Net profit attributable to shareholders of the Company	1	87,796,591.29	71,224,250.43
Non-recurring gains and losses attributable to the Company	2	1,124,041,741.27	167,220,771.03
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	-1,036,245,149.98	-95,996,520.60
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	12.00	12.00
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	0.0621	0.0504
Basic earnings per share (II)	15=3÷13	-0.7331	-0.0679
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)	0.0621	0.0504
Diluted earnings per share (II)	21=[3+(16-18)×(1-17)]÷(13+19)	-0.7331	-0.0679

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69. Dividends

Final dividends for the year ended 31 December 2017 totalling RMB22,616,102.05 (2016: RMB42,405,191.34) were declared and paid during the twelve-month period ended 31 December 2016.

According to a resolution of the board of directors of the Company dated 29 March 2018, the Company will not distribute dividend in 2017, nor will it increase its share capital by way of capitalisation of reserves. This profit distribution proposal is subject to the approval at the 2017 annual general meeting.

70. Supplementary information on consolidated income statement

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

Item	Current year	Last year
Raw materials consumed	13,493,039,274.12	14,521,644,253.04
Employee compensation expenses	4,394,624,621.42	4,293,629,490.28
Depreciation expenses	672,174,501.81	662,005,680.88
Amortisation expenses	72,027,525.49	70,501,137.51
Fuel power fee	418,877,953.00	395,376,571.02
Product fee	2,079,931,534.25	2,298,745,872.95
Balance of product payment	318,743,209.27	435,059,812.40
Taxes and surcharges		26,547,699.29
Others	949,196,683.96	522,501,335.48
Total	22,398,615,303.32	23,226,011,852.85

71. Items in cash flow statement

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

1) Other cash receipts relating to operating activities

Item	Current year	Last year
Income from other current accounts received	107,702,992.94	465,938,140.99
Land compensation for GSI	826,965,300.00	
Government grants	237,217,183.36	201,433,360.37
Other non-operating income	2,175,442.31	5,960,257.64
Interest income	117,577,733.76	190,093,742.06
Receipt/recovery of deposit	27,976,226.39	106,253,542.85
Total	1,319,614,878.76	969,679,043.91

2) Other cash payments relating to operating activities

Item	Current year	Last year
Administrative expense	222,017,126.14	225,465,028.25
Selling expense	10,926,072.04	12,571,487.37
Non-operating expenses	407,429.24	1,122,810.54
Warranty expense	104,848,106.82	73,754,887.35
Payment of other current accounts	143,628,968.02	77,359,716.87
Bank charges	6,736,619.25	8,847,481.74
Reserve funds	90,014,725.35	50,383,892.14
Security deposit	54,051,529.67	30,790,205.49
Relocation expenses	60,770,433.59	
Total	693,401,010.12	480,295,509.75

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3) *Other cash receipts relating to investing activities*

Item	Current year	Last year
Release of pledge on fixed deposits	2,706,161,830.52	13,077,779,727.20
Interest income from fixed deposits and other interest income	157,528,631.24	225,585,533.12
Gain on entrusted wealth management products	49,174,679.68	
Total	2,912,865,141.44	13,303,365,260.32

4) *Other cash payments relating to investing activities*

Item	Current year	Last year
Pledge of fixed deposit	836,166,045.64	7,104,772,153.03
Fixed assets upgrading expense	120,643,079.59	33,386.60
Total	956,809,125.23	7,104,805,539.63

5) *Other cash receipts relating to financing activities*

Item	Current year	Last year
State grant	168,640,000.00	205,500,000.00
Others		3,813.33
Total	168,640,000.00	205,503,813.33

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

Item	Current year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	100,639,151.28	86,688,161.93
Add: Provision for impairment of assets	193,239,360.49	208,829,341.68
Depreciation of fixed assets	672,174,501.81	662,005,680.88
Amortisation of intangible assets	63,396,438.65	58,510,981.04
Amortisation of long-term prepaid expenses	8,631,086.84	11,990,156.47
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with “-”)		3,545,381.03
Loss on retirement of fixed assets (Gain expressed with “-”)	2,270,814.27	4,874,335.67
Loss on changes in fair value (Gain expressed with “-”)	-3,235,961.60	-168,178,506.59
Finance cost (Gain expressed with “-”)	-146,557,280.19	137,525,006.49
Loss on investments (Gain expressed with “-”)	-147,443,555.81	48,371,480.29
Decrease in deferred tax assets (Increase expressed with “-”)	42,259,724.02	-25,352,763.63
Increase in deferred tax liabilities (Decrease expressed with “-”)	853,370.30	-1,811,436.74
Decrease in inventories (Increase expressed with “-”)	1,842,645,252.86	-1,161,900,284.62
Decrease in operating receivables (Increase expressed with “-”)	-759,790,128.63	507,186,075.85
Increase in operating payables (Decrease expressed with “-”)	-2,716,299,668.45	-4,133,357,244.92
Others		
Net cash flows from operating activities	-847,216,894.16	-3,761,073,635.17

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Item	Current year	Last year
2. Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents:		
Cash balance at the end of the year	11,430,546,720.41	9,885,435,368.48
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	1,545,111,351.93	652,789,772.30

(3) Net cash receipts from disposal of subsidiaries during the year

Item	Current year
Cash and cash equivalents acquired on disposal of subsidiaries during the year	
Including: GSI Yangzhou	741,158,500.00
Less: Cash and cash equivalents held by subsidiaries at the date of disposal	
Including: GSI Yangzhou	271,231,095.13
Net cash receipts from disposal of subsidiaries	<u>469,927,404.87</u>

(4) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	11,430,546,720.41	9,885,435,368.48
Including: Cash on hand	233,753.83	463,241.63
Bank deposits available for use on demand	11,430,232,121.58	9,884,636,728.42
Other cash at bank and on hand for use on demand	80,845.00	335,398.43
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents at the end of the year	11,430,546,720.41	9,885,435,368.48

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

72. Assets subject to restrictions in ownership or use right

Item	Ending carrying amount	Reasons for restrictions
Cash at bank and on hand	574,729,026.75	Pledged to secure borrowings, letters of guarantees/bills/letter of credit

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73. Foreign currency monetary items

Project	Ending balance denominated in foreign currency	Translation rate	Ending balance denominated in RMB following translation
Cash at bank and on hand			3,543,207,255.95
Including: US\$	510,826,891.28	6.5342	3,337,846,559.92
EUR	11,113,292.90	7.8023	86,709,245.12
JPY	125,725.04	0.0579	7,279.48
HKD	141,924,560.00	0.8359	118,636,113.14
Norwegian Krone	6.48	0.7917	5.13
GBP	917.30	8.7792	8,053.16
Accounts receivable			194,729,741.08
Including: US\$	24,473,674.52	6.5342	159,915,884.05
EUR	627,325.43	7.8023	4,894,581.21
HKD	32,607,841.90	0.8359	27,257,221.14
MOP	3,277,585.17	0.8122	2,662,054.68
Interest receivable			3,697,072.09
Including: US\$	523,948.24	6.5342	3,423,582.57
HKD	327,175.80	0.8359	273,489.52
Other receivables			3,355,423.59
Including: US\$	151,500.50	6.5342	989,934.57
EUR	1,500.00	7.8023	11,703.45
HKD	2,815,836.12	0.8359	2,353,785.57
Accounts payable			20,940,322.04
Including: US\$	1,870,054.51	6.5342	12,219,310.18
HKD	10,432,955.51	0.8359	8,721,011.86
Other payables			467,291.39
Including: US\$	42,991.42	6.5342	280,914.53
HKD	222,962.83	0.8359	186,376.86
Short-term borrowings			19,505,750.00
Including: EUR	2,500,000.00	7.8023	19,505,750.00

74. Government grants

(1) Basic information on government grants

Type	Amount	Item presented	Amount included in profit or loss
Grant for insurance maintained for first piece (set)	87,470,000.00	Selling expense	87,470,000.00
Special post-R&D grant for enterprises in Guangzhou	22,399,400.00	Other income	22,399,400.00
	24,472,100.00	Administrative expense	24,472,100.00
	560,000.00	Deferred income	
Interest subsidy	45,070,000.00	Finance cost	45,070,000.00
Offshore expansion projects	3,500,000.00	Other income	3,500,000.00
	3,500,000.00	Other current liabilities	
	7,000,000.00	Deferred income	
Separation and transfer of water, power and gas supply and property management business	6,042,226.86	Deferred income	
High salary allowance	5,537,773.14	Non-operating income	5,537,773.14
Research of building process for hydroacoustics monitoring ships	9,500,000.00	Administrative expense	9,500,000.00
Research and development of key technologies for meter deepwater drillships	8,300,000.00	Administrative expense	8,300,000.00
Offshore engineering phase I	7,000,000.00	Administrative expense	7,000,000.00
	3,000,000.00	Deferred income	
	1,500,000.00	Other income	1,500,000.00
	1,500,000.00	Other current liabilities	

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Type	Amount	Item presented	Amount included in profit or loss
Research of comprehensive ship building process and technology	3,900,543.16	Administrative expense	3,900,543.16
Development of dual-fuel high-speed luxury Ro/Ro ships	2,461,960.44	Deferred income	
Research of key technologies for polar deck ships	5,700,000.00	Administrative expense	5,700,000.00
Job stabilization subsidy	4,950,000.00	Administrative expense	4,950,000.00
Smart ship demonstration project (Project Dawn)	4,936,189.87	Administrative expense	4,936,189.87
Innovation and development fund for advanced manufacturing industry in Guangzhou	3,530,188.68	Administrative expense	3,530,188.68
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things	3,000,000.00	Other income	3,000,000.00
Offshore platform project	2,350,000.00	Administrative expense	2,350,000.00
	1,500,000.00	Deferred income	
	300,000.00	Other current liabilities	
	300,000.00	Other income	300,000.00
Self-development of diving support ships	2,000,000.00	Administrative expense	2,000,000.00
Steady industrial growth bonus	2,000,000.00	Non-operating income	2,000,000.00
Development and industrialization of intelligent manufacturing integrated platform for marine products	1,687,454.87	Administrative expense	1,687,454.87
Base construction subsidy	1,561,117.79	Deferred income	
	62,182.78	Other current liabilities	
	62,182.78	Non-operating income	62,182.78
Research of the information and industrialization integration system and the development of new ability	1,600,000.00	Deferred income	
Immediately refunded value-added tax	1,435,301.70	Other income	1,435,301.70
Incentive subsidy for contribution to local economic development by headquarters	1,400,000.00	Non-operating income	1,400,000.00
Research and development of key technologies for ships	1,300,000.00	Administrative expense	1,300,000.00
Research and development and demonstration application of comprehensive management system for vessel equipment	1,200,000.00	Administrative expense	1,200,000.00
Export credit insurance subsidy for polar condensate tankers	1,195,800.00	Non-operating income	1,195,800.00
Special grant for the research of large liners	584,518.04	Administrative expense	584,518.04
	515,481.96	Deferred income	
Postdoctoral station support fund from Zhongshan Human Resources and Security Bureau	1,069,400.00	Administrative expense	1,069,400.00
Special grant of Nansha Development Zone for transformation and upgrading of processing trade for 2016 from Guangzhou Nansha Development Zone Finance Bureau	1,000,000.00	Other income	1,000,000.00
Pre-research grant for the integration of military and civil products from Guangzhou Industry and Information Bureau	1,000,000.00	Other income	1,000,000.00
Special fund for supporting large core enterprise development from the Industry and Information Technology Commission of Guangzhou Municipality	1,000,000.00	Other income	1,000,000.00
Financial assistance for intellectual property rights from Guangzhou Intellectual Property Office	890,000.00	Administrative expense	890,000.00
Research and application of key technologies for fully self-navigation of offshore unmanned ships	846,000.00	Administrative expense	846,000.00
Research of shipbuilding document implementation and technology	827,814.56	Administrative expense	827,814.56
Technological innovation income from Guangzhou Technological Innovation Committee	818,600.00	Other income	818,600.00
Fund for supporting large core enterprise development for Guangzhou	800,000.00	Non-operating income	800,000.00
Technological upgrading project	748,100.16	Deferred income	
Financial assistance for hi-tech enterprise certification	700,000.00	Administrative expense	700,000.00
Research and development institution construction grant from Guangzhou Technological Innovation Committee	600,000.00	Administrative expense	600,000.00
No. 1 Dock adaptive transformation (1)	599,999.68	Deferred income	
Cooperative research of high strength steel and high-line energy welding technology	560,000.00	Administrative expense	560,000.00
Maine low-speed machine innovation project (Phase 1)	500,000.00	Administrative expense	500,000.00
Research of key welding technologies for polar condensate tanker hull	500,000.00	Administrative expense	500,000.00
Liwan steel structure engineering technology research and development centre	500,000.00	Deferred income	
Improvement in management of information and industrialization integration	500,000.00	Administrative expense	500,000.00
Construction of provincial research and development centre for marine operation ships and platform engineering	500,000.00	Administrative expense	500,000.00
Others	16,507,463.14	-	9,850,278.77
Total	316,351,799.61	-	278,243,545.57

(2) Return of government grants

There were no returns by the Group of government grants during the year.

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VII. CHANGES IN SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries (Unit: RMB in ten thousand)

Name of subsidiary	Consideration for disposal of equity interest	Percentage of equity interest disposed of (%)	Method for disposal of equity interest	Date of loss of control	Basis for determination of the date of loss of control	Difference between the consideration for disposal and share of net assets of the subsidiary disposed of in the consolidated financial statements	Percentage of remaining equity interest at the date of loss of control	Carrying amount of remaining equity interest at the date of loss of control	Fair value of remaining equity interest at the date of loss of control	Gain or loss on re-measurement of remaining equity interest at fair value	Method for determination of fair value of remaining equity interest at the date of loss of control and major assumptions	Amount of other comprehensive income relating to equity investments in subsidiaries transferred to investment income or loss
GSI Yangzhou	74,115.85	51%	Transfer by agreement	2017-9-1	Change in business registration	7,370.80	49%	64,036.28	64,088.41	52.13	Recognised at 90% of the equity transaction price in view of the effects of minority interests	

In 2017, the Company transferred its 51% equity interest in GSI Yangzhou, a then wholly-owned subsidiary, to CSSC, the controlling shareholder of the Company, through an agreement, and the Company no longer has control over GSI Yangzhou, details of which are set out in Note VI.65. In accordance with the Accounting Standards for Business Enterprises 33 – Consolidated financial statements, as the Company disposed of its equity interest in GSI Yangzhou with loss of control over such former subsidiary, its remaining 49% equity interest in GSI Yangzhou shall be remeasured at the fair value at the date of loss of control in the consolidated financial statements. In accordance with the Accounting Standards for Business Enterprises 39 – Fair value measurement, the Company has recognised the 49% equity interest at fair value of RMB640,884,100, after deducting 10% of the appraised value of net assets attributable to minority interests, being RMB1,453,252,000. The fair value of the remaining equity interest, net of the carrying value of the remaining equity interest on the date of loss of control, was included in investment income for the period of loss of control, amounting to RMB521,300.

2. Change in scope of consolidation for any other reasons

(1) Establishment of CSSC (Guangzhou) New Energy Co., Ltd.

On 10 July 2017, Wenchuan Heavy Industrial (with 40% shareholding), a subsidiary of the Company, Juting New Energy Technology Co., Ltd. (“Juting”) (with 39% shareholding) and Guangzhou Yinfang Chemical Co., Ltd. (“Yinfang”) (with 21% shareholding) established CSSC New Energy, a joint venture, with a registered capital of RMB18 million. The scope of business of CSSC New Energy includes gas operation; fuel oil sales; white oil sales; crude oil sales; petroleum products wholesale; sale of asphalt and related products; import and export of goods and technology, etc.

In accordance with the agreement on acting in concert entered into between Wenchuan Heavy Industrial and Juting and Yinfang, respectively, it was agreed that they shall exercise their voting rights in a consistent manner in respect of material decision-making matters about the operation and development of the Company and that the opinions of Wenchuan Heavy Industrial shall prevail in case of any differences. Wenchuan Heavy Industrial has control over and included CSSC New Energy in the scope of consolidation.

(2) Establishment of Wah Loong International Marine Limited and Wah Shun International Marine Limited

On 22 December 2016, Huangpu Wenchong, a subsidiary of the Company, and Wah-Chang International Marine Industry Company Limited jointly established two single ship companies, being Wah Loong International Marine Limited and Wah Shun International Marine Limited, in Hong Kong, each with a registered capital of HK\$1 million and held as to 99% by Huangpu Wenchong and as to 1% by Wah-Chang International Marine Industry Company Limited. In August 2017, Huangpu Wenchong made the contribution and these two single ship companies commenced operation and were included in the scope of consolidation.

(3) Deregistration of Guangzhou Shipyard International Marine Engineering Co., Ltd., a subsidiary of the Company

In accordance with a document of CSSC (Chuan Gong Jing [2016] No.23), the Company was approved to liquidate GSI Marine Engineering, a then subsidiary of the Company, based on the ownership structure. A liquidation committee was approved to be established in accordance with a resolution of the 11th meeting of the office of the general manager of GSI held in April 2016 (GSI Office [2016] No.36). On 29 September 2017, GSI Marine Engineering obtained a Notice for Cancellation of Enterprise Registration ((Sui) Deng Ji Nei Xiao Zi 2012 No. 01201709210090). The deregistration of GSI Marine Engineering was completed and it was no longer included in the scope of consolidation.

(4) Deregistration of Fonkwang (Macau) Development Single Person Co., Ltd., a subsidiary of the Company

In accordance with a resolution of the 15th meeting of the office of the general manager of GSI held on 15 May 2017 (GSI Office [2017] No.46), the deregistration of Fonkwang (Macau) Development Single Person Co., Ltd. by way of liquidation was approved. As at the end of 2017, the deregistration of Fonkwang Macau was completed and it was no longer included in the scope of consolidation.

3. Save for above, there were no changes in the scope of consolidation for the Group in 2017.

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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 ten thousand)	Percentage of shareholding (%)		Acquisition method
				Direct	Indirect	
Subsidiaries indirectly held through two-level structures						
GSI	Guangzhou	Shipbuilding	653,935.98	100.00		Business combination under common control
Huangpu Wenchong	Guangzhou	Shipbuilding	197,379.85	100.00		Business combination under common control
Subsidiaries indirectly held through three-level structures						
Pipe Company ^{Note 1}	Guangzhou	Pipe processing	7,000		42.86	Business combination under common control
Xingshun	Guangzhou	Installation, welding, fitting and coating, repairing of ships	200		100.00	Establishment through investment
United Steel ^{Note 4}	Guangzhou	Steel structures	US\$8.85 million		100.00	Establishment through investment
GSI Elevator	Guangzhou	Manufacturing of elevators	11,000		100.00	Establishment through investment
Hongfan Technology	Guangzhou	Software development	500		51.00	Establishment through investment
Guangli	Guangzhou	Provision of services	500		100.00	Establishment through investment
Hongfan Hotel	Guangzhou	Catering services	11,940		100.00	Establishment through investment
Glory Group	Hong Kong	General trading	HK\$30 million		100.00	Establishment through investment
Large-scale Machinery	Guangzhou	Equipment manufacturing	18,861		100.00	Establishment through investment
Zhongshan GSI	Zhongshan	Equipment manufacturing	70,000		100.00	Establishment through investment
Huangchuan Ocean Engineering	Guangzhou	Shipbuilding	6,800		100.00	Business combination under common control
Zhanjiang Nanhai	Zhanjiang	Provision of services	200		80.50	Business combination under common control
Longxue Properties	Guangzhou	Property management	150		66.67	Business combination under common control
Xinhang	Guangzhou	Provision of services	200		75.00	Business combination under common control
Wenchong Shipyard	Guangzhou	Shipbuilding	52,017.8455		100.00	Business combination under common control
Xingji ^{Note 4}	Guangzhou	Professional technical services	500		37.50	Establishment through investment
Wenchuan Heavy Industrial	Guangzhou	Equipment manufacturing	11,000		100.00	Business combination under common control
Wenchong Bingshen ^{Note 4}	Guangzhou	Equipment manufacturing	560		60.00	Business combination under common control
Wah Shun	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment
Wah Loong	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment
Subsidiaries indirectly held through four-level structures						
Fonkwang	Hong Kong	General trading	HK\$200,000		80.00	Establishment through investment
CSSC New Energy ^{Note 3}	Guangzhou	Liquefied petroleum production and supply	1,800		40.00	Establishment through investment

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Note 1: Two of the five directors of Pipe Company are appointed by GSI, who act as chairman and general manager, respectively and are responsible for the production and operation activities. Accounting manager is appointed by GSI, which has substantial control over such company, and it is therefore included in the scope of consolidation.

Note 2: Xingji has three shareholders and is held as to 37.5% by Huangpu Wenchong, as to 37.5% by Shanghai Merchant Vessel Design and Research Institute (under the common control of CSSC), and as to 25% by Yuzhong International Co., Ltd.. Its chairman is appointed by Huangpu Wenchong, which is also responsible for the operation and management of Xingji. Huangpu Wenchong has actual control over Xingji and included Xingji in the scope of consolidation.

Note 3: CSSC New Energy has three shareholders. In accordance with the agreement on acting in concert entered into between Wenchuan Heavy Industrial and Jutin and Yinfang, respectively, Wenchuan Heavy Industrial owns 100% voting rights of CSSC New Energy and has actual control over CSSC New Energy.

Note 4: United Steel, Xingji and Wenchong Bingshen are all Sino-foreign joint ventures.

(2) Significant non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interest	Gain or loss attributable to minority interests for the year	Dividends declared to minority interests for the year	Ending balance of minority interests
Fonkwang Development Limited	20.00%	9,410,652.04	5,716,000.00	16,631,831.30

(3) Major financial information on significant non-wholly-owned subsidiaries (Unit: in RMBten 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	13,368.23	5.77	13,374.01	5,058.09		5,058.09	26,672.09	21.08	26,693.17	20,224.58		20,224.58

(Continued)

Name of subsidiary	Current year				Last year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Fonkwang Development Limited	14,718.67	4,705.33	4,705.33	-3,886.41	66,195.20	5,707.04	5,707.04	29,050.45

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

None.

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

None.

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

(1) Change in the proportion of ownership interest in subsidiary

As at the end of 2016, Huangpu Wenchong, a subsidiary of the Company, contributed capital of RMB3.75 million into Xingji, representing 75% of the registered capital of Xingji. In January 2017, Huangpu Wenchong transferred its 37.5% equity interest in Xingji to Shanghai Merchant Ship Design & Research Institute at a consideration of RMB1,912,500, following which Huangpu Wenchong still maintains the control over Xingji.

(2) Impact of change in ownership interest in subsidiaries on equity

Item	Xingji
Cash	1,912,500.00
Total consideration for disposal	1,912,500.00
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	1,889,700.50
Difference	22,799.50
Including: Adjustment to capital reserves	22,799.50
Adjustment to surplus reserves	
Adjustment to undistributed profits	

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3. Interests in joint ventures or associates

(1) Significant associates

Name of joint venture or associate	Principal place of business	Place of incorporation	Business nature	Percentage of shareholding (%)		Accounting method for investment in joint ventures or associates
				Direct	Indirect	
GSI Yangzhou	Yangzhou	Yangzhou	Shipbuilding	49%		Equity method

(2) Key financial information of significant associates

Item	GSI Yangzhou	
	Ending balance/Amount for the year	Beginning balance/Amount for last year
Current assets:	285,549,047.64	369,793,825.65
Including: Cash and cash equivalents	272,130,556.08	356,719,844.61
Non-current assets	1,034,516,277.75	949,724,257.76
Total assets	1,320,065,325.39	1,319,518,083.41
Current liabilities:	11,946,210.98	14,594,669.80
Non-current liabilities		
Total liabilities	11,946,210.98	14,594,669.80
Minority interests		
Equity attributable to shareholders of the Company	1,308,119,114.41	1,304,923,413.61
Share of net assets based on shareholding percentage	640,978,366.06	
Adjustments		
– Goodwill		
– Unrealized profit from intra-group transactions		
– Others	521,273.01	
Carrying amount of equity investments in associates	641,499,639.07	
Fair value of investments in associates with public quoted prices		
Operating income	77,294,323.82	80,055,619.86
Finance cost	-6,021,167.33	-5,414,141.01
Income tax expense	1,689,939.51	698,677.28
Net profit	5,060,683.52	2,072,203.02
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	5,060,683.52	2,072,203.02
Dividend received from associates for the year		

(3) Aggregated financial information of insignificant joint ventures and associates

Item	Ending balance/Amount for the year	Beginning balance/Amount for last year
Joint ventures:		
Total carrying amount of investments	30,000,000.00	
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-1,654,450.09	
– Other comprehensive income		
– Total comprehensive income	-1,654,450.09	
Associates:		
Total carrying amount of investments	68,173,471.59	68,961,676.66
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-561,599.25	1,779,996.01
– Other comprehensive income		
– Total comprehensive income	-561,599.25	1,779,996.01

(4) 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 risk

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 31 December 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	31 December 2017	31 December 2016
Cash and cash equivalents–USD	510,826,891.28	452,289,126.10
Cash and cash equivalents–HKD	141,924,560.00	218,990,321.27
Cash and cash equivalents–EUR	11,113,292.90	3,207,310.57
Cash and cash equivalents–MOP		33,471.90
Cash and cash equivalents–JPY	125,725.04	125,762.00
Cash and cash equivalents–GBP	917.3	917.25
Cash and cash equivalents–Norwegian Krone	6.48	
Accounts receivable–USD	24,473,674.52	25,214,487.38
Accounts receivable–HKD	32,607,841.90	42,046,484.65
Accounts receivable–MOP	3,277,585.17	3,277,208.84
Accounts receivable–EUR	627,325.43	1,056,219.72
Other receivables–USD	151,500.50	2,535,710.33
Other receivables–HKD	2,815,836.12	8,869,268.18
Other receivables–MOP		659,737.39
Other receivables–EUR	1,500.00	
Interest receivable–USD	523,948.24	134,880.08
Interest receivable–HKD	327,175.80	
Long-term receivables–USD		21,360,000.00
Accounts payable–USD	1,870,054.51	3,589,974.67
Accounts payable–HKD	10,432,955.51	44,265,797.27
Interest payable–USD		
Interest payable–EUR		
Other payables–USD	42,991.42	2,376,499.77
Other payables–HKD	222,962.83	4,925,627.62
Other payables–MOP		149,582.82
Short-term borrowings–USD	2,500,000.00	1,204,681.50
Short-term borrowings–EUR		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.

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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 31 December 2017, the Group's bank borrowings mainly included fixed interest rate contracts in RMB and USD with total amount of RMB10,610,766,225.00 (31 December 2016: RMB4,594,857,000.00) and floating interest rate contracts in RMB and USD with total amount of RMB4,689,905,750.00 (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 repairing, offshore engineering products and electromechanical products at market price, and is subject to the price fluctuations.

(2) Credit risk

As at 31 December 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 RMB591,049,273.52 (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 31 December 2017, the unutilised bank facilities of the Group were RMB40,122 million (31 December 2016: RMB36,357 million).

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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:

Amount as at 31 December 2017:

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets	14,954,153,359.76	136,589,832.81	381,693,262.84	93,981,948.29	15,566,418,403.70
Cash at bank and on hand	12,005,275,747.16				12,005,275,747.16
Financial assets at fair value through profit or loss	6,602,255.91				6,602,255.91
Notes receivable	157,166,528.30				157,166,528.30
Accounts receivable	1,562,283,924.40				1,562,283,924.40
Other receivables	142,347,253.79				142,347,253.79
Interest receivable	46,434,534.12				46,434,534.12
Long-term receivables	32,143,116.08	136,589,832.81	381,693,262.84	64,097,392.72	614,523,604.45
Entrusted wealth management products	1,001,000,000.00				1,001,000,000.00
Available-for-sale financial assets	900,000.00			29,884,555.57	30,784,555.57
Financial liabilities	16,947,933,156.64	4,917,423,128.78	1,531,461,766.63	1,951,856,271.14	25,348,674,323.19
Short-term borrowings	2,675,414,975.00				2,675,414,975.00
Financial liabilities at fair value through profit or loss	3,366,294.31				3,366,294.31
Notes payable	1,772,284,568.59				1,772,284,568.59
Accounts payable	7,656,237,265.69				7,656,237,265.69
Other payables	234,291,737.22				234,291,737.22
Dividends payable	383,540.92				383,540.92
Interest payable	13,010,817.17				13,010,817.17
Employee benefits payable	32,198,622.63				32,198,622.63
Taxes payable	72,479,741.43				72,479,741.43
Long-term employee benefits payable	5,865,593.68	9,423,128.78	41,461,766.63	206,999,271.14	263,749,760.23
Long-term borrowings	4,482,400,000.00	4,908,000,000.00	1,490,000,000.00	1,744,857,000.00	12,625,257,000.00

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	Change in exchange rate	Current year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
US\$	Strengthened by 5% against RMB	318,422,502.55	318,422,502.55	107,527,232.47	107,527,232.47
US\$	Weakened by 5% against RMB	-310,989,659.25	-310,989,659.25	-128,623,618.91	-128,623,618.91

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(2) Interest rate risk sensitivity analysis

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

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

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

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

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

Item	Change in interest rate	Current year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-91,645,658.44	-91,645,658.44	-71,750,416.40	-71,750,416.40
Floating-rate borrowings	Decrease by 1%	91,645,658.44	91,645,658.44	71,750,416.40	71,750,416.40

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 year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Fair value measurement on a recurring basis				
(i) Financial assets at fair value through profit and loss		6,602,255.91		6,602,255.91
1. Financial assets held-for-trading		6,602,255.91		6,602,255.91
(ii) Available-for-sale financial assets	10,317,771.48			10,317,771.48
(1) Investment in equity instruments	10,317,771.48			10,317,771.48
Total assets measured at fair value on a recurring basis	10,317,771.48	6,602,255.91		16,920,027.39
(i) Financial liabilities at fair value through profit and loss		3,366,294.31		3,366,294.31
1. Financial liabilities held-for-trading		3,366,294.31		3,366,294.31
Total liabilities measured at fair value on a recurring basis		3,366,294.31		3,366,294.31

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

Of the available-for-sale financial assets, investment in equity instruments measured at fair value represented shares in listed companies, and the Company recognised their fair value at the closing price as at 31 December 2017.

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

Of the financial liabilities held-for-trading, financial derivatives measured at fair value represented forward exchange contracts, 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 AND RELATED PARTY 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 incorporation	Business nature	Registered capital	Shareholding percentage in the Company (%)	Percentage of voting rights in the Company (%)
CSSC	Shanghai	Shipbuilding	RMB32 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	RMB10 billion		RMB32 billion

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

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

2. Subsidiaries

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

3. Other related parties

Relationship	Name of related party	Major contents of transaction	Code of organisation
Other enterprises under common control of controlling shareholder and beneficial controller			
	Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labor services	190440532
	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and technical labor services	199124798
	Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	Marine accessories	769750177
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	769756704
	CSSC Nanjing Luzhou Machine Co., Ltd.	Product and equipment	134905382
	Shanghai Merchant Vessel Design and Research Institute	Marine accessories and technical labor services	717810086
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Marine accessories	56586979
	Anqing CSSC Diesel Engine Co., Ltd.	Product and equipment	151306277
	CSSC Marine Power Co. Ltd.	Marine accessories, products and equipment	731778430
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	190550010
	China Shipbuilding NDRI Engineering Co., Ltd.	Labor and technical services	425014619
	Guangzhou Ship Industrial Company	Purchase of goods and services received	190506722
	China Shipbuilding Industry Institute of Engineering Investigation & Design Xiamen Branch	Labor and technical services	13294352-9
	China State Shipbuilding Corporation No.11 Research Institute	Marine accessories, products and equipment	71780666-9
	Marine Design and Research Institute of China	Purchase of goods and services received	425007603
	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories, products and equipment	669401543
	CSSC Xijiang Shipbuilding Co., Ltd.	Purchase of materials	198600924

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

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From 1 January 2017 to 31 December 2017

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

Relationship	Name of related party	Major contents of transaction	Code of organisation
	Shanghai Dongxin Software Engineering Co., Ltd.	Purchase of goods and services received	73745754X
	China State Shipbuilding Corporation No.11 Research Institute	Purchase of goods and services received	717806669
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Purchase of goods and services received	742362916
	Jiulong Steel Logistics Co., Ltd.	Sales of goods and provision of services	567755594
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	Purchase of goods and services received	091090522
	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and services received	705640569
	Jiangxi CSSC Navigation Instrument Co., Ltd.	Purchase of goods and services received	159500541
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	Purchase of goods and services received	660813517
	Jiangnan Shipbuilding (Group) Co., Ltd.	Sales of goods and provision of services	132204312
	Wah-Chang International Marine Industry Company Limited	Sales of goods and provision of services	XG7250000
	Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Sales of goods and provision of services	70326335X
	Haiying Enterprises Group Co., Ltd.	Purchase of goods and services received	134757367
	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and services received	082890640
	Technician Training School of Guangzhou Shipyard	Rendering of services	574022487
	Guangzhou Hairong Industrial Co., Ltd.	Purchase of goods and services received	190458329
	Workers' Hospital of Guangzhou Huangpu Shipyard	Rendering of services	738578028
	Kindergarten of Guangzhou Huangpu Shipyard	Rendering of services	738577981
	Guangzhou Huamao Centre	Rendering of services	618407582
	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and services received	231250517
	Beijing Leiyin Electronic Technology Development Co., Ltd.	Purchase of goods and services received	633641027
	Beijing Ship Industry Management College	Purchase of goods and services received	40000123X

Enterprises under common control of joint ventures of controlling shareholder and beneficial controller

Guangzhou Shipyard Industrial Co., Ltd. (a wholly-owned subsidiary of Shanghai Lingxiang)	Lease of assets	30460679-4
Guangzhou Shipyard Shipping Co., Ltd. (a wholly-owned subsidiary of Shanghai Lingxiang)	Lease of assets	32097191-4
TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	660813517
TTS Hua Hai International Trading Co., Ltd.	Marine accessories	698750056

(ii) Consolidated related party transactions

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

(1) Purchase of goods/receipt of services

Related party	Content of transaction	Current year	Last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Materials purchased	2,751,070,355.74	3,122,995,597.83
CSSC Systems Engineering Research Institute	Marine accessories	566,042,515.39	608,548,444.44
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	380,375,764.46	786,708,080.34
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Marine accessories	224,238,393.17	207,812,205.73
CSSC Marine Power Co. Ltd.	Marine accessories	197,411,135.56	223,486,083.76
China United Shipbuilding Company Limited	Marine accessories	182,403,767.09	200,704,472.86
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Construction	140,003,490.81	
China Shipbuilding NDRI Engineering Co., Ltd.	Technical labor services	106,871,397.50	285,708,113.52
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	88,430,115.39	95,282,974.36
CSSC Nanjing Luzhou Machine Co., Ltd.	Marine accessories	77,129,506.84	90,761,811.96
Marine Design and Research Institute of China	Technical labor services	50,363,437.15	60,336,256.94
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labor services	47,844,985.05	71,669,256.02
Shanghai Haixun Electrical Engineering Co., Ltd.	Marine accessories	39,367,324.78	43,874,719.11
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	38,369,737.39	32,401,238.29
Haiying Enterprises Group Co., Ltd.	Marine accessories	28,350,000.00	25,710,000.00
Guangzhou Shipyard HR Service Co., Ltd.	Technical labor services	24,022,706.33	22,399,915.27

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Related party	Content of transaction	Current year	Last year
Shanghai Merchant Vessel Design and Research Institute	Technical labor services	18,952,337.38	18,736,952.83
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Materials purchased	18,798,333.78	33,010,047.12
Shanghai CSSC Ship Design Technology and National Engineering Research Centre Co., Ltd.	Technical labor services	17,990,659.83	10,337,264.96
China Shipbuilding Trading Co., Ltd.	Marine accessories	17,334,891.65	37,393,573.18
Guangzhou Shipyard Hospital	Purchase of goods and services received	4,639,536.51	5,801,714.67
CSSC Science & Technology Co., Ltd.	Marine accessories	14,898,536.16	32,642,536.81
China Ship Power Station Equipment Co., Ltd.	Marine accessories	11,226,495.73	6,898,162.39
Shanghai Starship Ocean Engineering Service Co., Ltd.	Marine accessories	9,744,088.46	8,245,192.91
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Marine accessories	9,067,288.46	1,456,923.08
Guangzhou Wenchong Dockyard Co., Ltd.	Technical labor services	13,727,293.72	14,894,683.14
Marinequip China Company Limited	Marine accessories	8,204,846.10	11,848,472.03
Jiuliang CSSC Fire Equipment Manufacture Co., Ltd.	Marine accessories	7,681,797.94	12,440,148.06
Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	Marine accessories	7,229,390.75	
Shanghai Simifu Industrial Co., Ltd.	Marine accessories	6,659,436.00	
Beijing Shipbuilding Information Technology Co., Ltd.	Labor and technical services	6,653,918.03	7,581,381.14
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Materials purchased	5,877,160.48	2,729,400.00
CSSC Marine Technology Co., Ltd.	Marine accessories	5,099,000.00	4,444,176.07
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	4,620,504.27	
Shanghai Shenbo Information System Engineering Co., Ltd.	Materials purchased	4,049,991.59	11,000.00
Guangzhou Nanfang Special Coating Co., Ltd.	Labour services	4,031,160.40	
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Technical labor services	4,007,842.14	3,856,261.80
CSSC (Hong Kong) Shipping Company Limited	Technical labor services	3,906,226.03	123,101,278.85
Jiangxi Chaoyang Machinery Factory	Marine accessories	3,527,189.25	7,955,506.29
China Shipbuilding Technology Institute	Technical labor services	3,241,258.49	1,342,657.37
Jiuliang Shipbuilding Fire Automation Co., Ltd.	Marine accessories	3,141,468.39	2,281,365.81
Workers' Hospital of Guangzhou Huangpu Shipyard	Technical labor services	3,099,778.45	3,643,361.40
Shanghai Hudong Shipyard Valve Co., Ltd.	Materials purchased	2,951,196.56	3,773,283.76
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Materials purchased	2,599,666.67	4,853,929.15
TTS Hua Hai Ships Equipment Co., Ltd.	Materials purchased	2,424,864.27	2,355,342.39
Technician Training School of Guangzhou Huangpu Shipyard	Technical labor services	2,328,919.73	2,261,845.28
Kindergarten of Guangzhou Huangpu Shipyard	Technical labor services	2,025,000.00	2,025,000.00
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials purchased	1,940,820.57	3,198,497.40
Beijing Leiyin Electronic Technology Development Co., Ltd.	Marine accessories	1,786,800.00	1,786,800.00
TTS Ships Equipment Co., Ltd.	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	1,643,509.81	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	1,362,236.41	6,473,792.30
CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories	1,264,957.26	3,247,863.25
Jiuliang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	1,258,547.01	17,429,203.98
China Shipbuilding International Trading Co., Ltd.	Technical labor services	1,221,321.57	2,758,755.66
Shanghai Dongxin Software Engineering Co., Ltd.	Labour services	1,177,358.46	
Guangzhou Ship Industrial Company	Materials purchased	1,067,055.18	
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Marine accessories	879,361.88	6,277,785.03
Jiuliang Zhongchuan Instrument Co., Ltd.	Marine accessories	427,500.00	342,000.00
China State Shipbuilding Corporation No.11 Research Institute	Technical labor services	318,301.89	202,564.10
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Materials purchased	302,525.37	756,681.00
CSSC Electronic Technology Co., Ltd.	Materials purchased	230,000.00	120,000.00

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

Related party	Content of transaction	Current year	Last year
Anqing Marine Electric Co., Ltd.	Marine accessories	169,798.31	107,008.54
Beijing Ship Industry Management College	Labor and technical services	142,622.64	181,932.08
Haifeng Navigation Technology Co., Ltd.	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	123,080.00	
China Shipbuilding Industry Complete Logistics Co., Ltd.	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	41,880.34	
Jiulong Steel Logistics Co., Ltd.	Materials purchased	34,999.32	
CSSC Materials Engineering Co., Ltd.	Materials purchased	34,188.03	170,940.17
Jiujiang Precision Testing Technology Research Institute	Electromechanical equipment and metal materials	33,333.34	2,824,400.00
Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Labour services	22,912.62	
Technician Training School of Guangzhou Shipyard	Lease expenses	20,553.00	
Guangzhou Hairong Industrial Co., Ltd.	Marine accessories	18,867.95	564,000.00
TTS Hua Hai International Trading Co., Ltd.	Materials purchased		6,237,348.14
Wah-Chang International Marine Industry Company Limited	Materials purchased		2,885,550.19
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Materials purchased		811,965.81
Jiangxi CSSC Navigation Instrument Co., Ltd.	Marine accessories		667,666.67
CSSC Heavy Equipment Co., Ltd.	Technical labor services		291,850.97
Shanghai CSSC Fire Protection Engineering Technology Co., Ltd.	Materials purchased		176,010.26
Beijing CSSC Film Production Centre	Labor and technical services		140,566.04
China Shipbuilding Trading Shanghai Co., Ltd.	Materials purchased		81,639.32
Total		5,187,557,240.83	6,302,055,451.83

Note: Pricing principles:

- Purchase price of electronic appliance, metallic materials and marine complement are based on market price.
- Purchase price of marine equipment, if there are two or more related parties competed as supplier, after consideration of factors such as inventory cycle, quality of products and services of suppliers, are negotiated with basis on market price. If there is only one related party as supplier due to technical specifications or restrictions, the price should be arm's length as that provided by a third independent party.
- 10% increase of labour cost is executed during the peak production period.
- Purchase price of cabin-cleaning, ship design and relevant technical services are based on market price.
- Purchase prices of medical care, food and beverage, infant care, training for 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

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

(2) Sale of goods/rendering of services

Related party	Content of transaction	Current year	Last year
CSSC (Hong Kong) Shipping Company Limited	Shipbuilding	646,845,078.85	1,618,724,704.53
China Shipbuilding Trading Co., Ltd.	Shipbuilding	215,966,490.03	9,398,186.31
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	75,419,237.72	79,978,215.17
Guangzhou Wenchong Dockyard Co., Ltd.	Sale of materials, labour and technical services	36,398,460.68	29,709,755.85
CSSC Science & Technology Co., Ltd.	Labor and technical services	13,342,065.79	14,877,260.26
CSSC Chengxi Shipbuilding Co., Ltd.	Power, labor and technical services	11,459,797.35	18,631,355.39
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sale of materials, rendering of labor services	11,165,104.29	281,499.34
Guangzhou Shipyard Co., Ltd.	Supply of power, labor and technical services	2,393,570.72	2,152,340.56
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Labor and technical services	2,293,964.65	1,618,438.43
China Shipbuilding Technology Institute	Labor and technical services	2,198,113.22	1,708,490.58
Wah-Chang International Marine Industry Company Limited	Sale of materials and labour services	1,241,802.93	
CSSC Heavy Equipment Co., Ltd.	Labor and technical services	1,014,289.74	124,362.71
China Shipbuilding Industry Complete Logistics Co., Ltd.	Sale of materials	821,597.66	
Shanghai Merchant Vessel Design and Research Institute	Research project	700,000.00	
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Sale of materials	697,435.92	
CSSC Systems Engineering Research Institute	Labor and technical services	424,528.30	141,509.43
Workers' Hospital of Guangzhou Huangpu Shipyard	Supply of utilities	383,142.40	311,323.28
MARIC	Supply of utilities	322,079.87	67,320.75
Technician Training School of Guangzhou Huangpu Shipyard	Supply of utilities	315,531.10	609,544.19
Guangzhou Ship Industrial Company	Sale of materials	195,098.04	38,866.31
Beijing Shipbuilding Information Technology Co., Ltd.	Sale of materials	193,678.43	3,256,565.05
CSSC Guijiang Shipbuilding Co., Ltd.	Sale of materials, rendering of technical labor services	182,015.90	1,739,347.91
CSSC Southern China Ship Machinery Co., Ltd.	Labor and technical services	157,386.80	166,862.16
Design and Research Institute of China Shipbuilding and Marine Engineering	Labour services	88,679.24	
China Shipbuilding NDRI Engineering Co., Ltd.	Labor and technical services	83,806.83	28,797,661.27
CSSC Chengxi Xinrong Shipbuilding Company Limited	Labour services	83,760.68	
Guangzhou Shipyard HR Service Co., Ltd.	Labour services	81,154.44	
Kindergarten of Guangzhou Huangpu Shipyard	Supply of utilities	74,877.40	51,922.49
Technician Training School of Guangzhou Shipyard	Supply of utilities	53,349.67	68,230.09
Guangzhou GSI Nursing Home Co., Ltd.	Sale of materials	50,197.66	
Haiping Enterprises Group Co., Ltd.	Labour services	45,283.02	
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Sale of materials	30,484.67	18,786.18
CSSC Marine Technology Co., Ltd.	Labour services	30,188.68	
Guangzhou Shipyard Hospital	Labour services	13,624.58	
CSSC Xijiang Shipbuilding Co., Ltd.	Supply of utilities	12,490.56	8,122.64
Guangzhou Huamao Centre	Labor and technical services	170.94	11,675.06
China Shipbuilding Trading Shanghai Co., Ltd.	Sale of materials, labour and Mtechnical services	-8,549,447.83	150,799,281.53
China State Shipbuilding Corporation No.11 Research Institute	Labor and technical services		6,000,000.00
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Labor and technical services		458,018.87
CSSC Marine Power Co. Ltd.	Labor and technical services		404,008.55
Jiangnan Shipbuilding (Group) Co., Ltd.	Labor and technical services		162,393.16
Jiulong Steel Logistics Co., Ltd.	Labor and technical services		76,923.08
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Labor and technical services		73,162.39
Marine Design and Research Institute of China	Labor and technical services		44,339.62
CSSC Finance Company Limited	Labor and technical services		33,018.87
Guangzhou Shipyard Nursing Home	Supply of utilities		17,473.79
Shanghai Haixun Electrical Engineering Co., Ltd.	Sales of scrap materials		3,634.19
Total		1,016,229,090.93	1,970,564,599.99

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From 1 January 2017 to 31 December 2017

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

2. Receipt of financial services

(1) Deposits

Name of related party	Balance of deposits		Interest income on deposits	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	5,869,946,182.09	5,759,295,192.97	49,748,579.94	70,470,764.07

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

(2) Loans

Name of related party	Balance of deposits		Interest income on deposits	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	4,712,400,000.00	3,842,400,000.00	170,749,246.64	203,112,487.18

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.

Entrusted loans of CSSC:

Name of related party	Borrowing/Lending	Amount	Date of commencement	Date of expiry	Interest rate	Remarks
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012-6-20	2022-6-15	5.25%	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012-7-18	2019-7-15	5.00%	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	600,000,000.00	2012-7-18	2019-7-15	5.00%	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	400,000,000.00	2016-10-24	2021-10-14	3.25%	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012-7-18	2019-7-15	5.00%	Huangpu Shipyard
Total		2,500,000,000.00				

(3) Forward exchange settlement (purchase)

Name of related party	Forward exchange settlement (purchase) contract		Gain or loss on change in fair value of forward exchange settlement (purchase) contract		Investment income from forward exchange settlement (purchase)	
	Ending balance	Beginning balance	Current year (RMB)	Last year (RMB)	Current year (RMB)	Last year (RMB)
CSSC Finance Company Limited	US\$43.6 million		-2,397,418.21		2,271,100.00	-216,066.93

(4) Entrusted wealth management products

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	1,001,000,000.00	1,301,000,000.00	61,693,229.85	74,500,430.10

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

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3. Related leases

(1) As lessor

Name of lessor	Name of lessee	Type of leased assets	Rental income recognised for the year	Rental income recognised for the last year
GSI	Guangzhou Wenchong Dockyard Co., Ltd.	Land, buildings and equipment	14,331,739.31	13,235,641.15
GSI Yangzhou	CSSC Chengxi Shipbuilding Co., Ltd.	Land, buildings and equipment	38,587,351.97	61,446,068.24
Total			52,919,091.28	74,681,709.39

Note 1: In 2016, GSI, a subsidiary of the Company, and 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 for 2017 of RMB14,331,739.31 in total.

Note 2: In January 2017, GSI Yangzhou 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). Rental income from GSI Yangzhou for the period from January to August 2017 was recognised in these financial statements.

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

(2) As lessee

Name of lessor	Name of lessee	Type of leased assets	Rental fees recognised for the year	Rental fees recognised for last year
Guangzhou Ship Industrial Company	Wenchong Shipyard	Land, buildings and structures	20,559,791.11	19,602,770.70
Guangzhou Ship Industrial Company	Huangpu Wenchong	Land, buildings and structures	4,681,546.63	7,696,152.66
Guangzhou Shipyard Industrial Co., Ltd.	GSI	Land, buildings and structures	–	–
Guangzhou Shipyard Shipping Co., Ltd.	GSI	Land, buildings and structures	128,000,000.00	128,000,000.00
Guangzhou Shipyard Co., Ltd.	GSI	Buildings and structures	914,623.69	
Guangzhou Shipyard Co., Ltd.	Guangli	Buildings, structures and machinery equipment	687,782.71	
Guangzhou Shipyard Co., Ltd.	GSI Elevator	Land, buildings and structures	285,192.70	
Total			155,128,936.84	155,298,923.36

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

Note 2: On 27 September 2014, the Company and Guangzhou Shipyard Industrial Co., Ltd. (“Guangzhou Shipyard Industrial”) entered into a lease agreement, pursuant to which Guangzhou Shipyard Industrial shall lease three parcels of land currently for industrial use located at Heliwei, Fangcun Main Road, Liwan District, Guangzhou, 29 Dongliang Market Street, Fangcun Main Road, Liwan District, Guangzhou and south to Heliwei, Fangcun Main Road, Liwan District, Guangzhou, with a total site area of 108,939 sq.m., and buildings and structures thereon (the “Leased Area”) to the Company. The Leased Area is leased to the Company for a term of 39 months commencing on 1 October 2014 at monthly rate of 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.

NOTES TO THE FINANCIAL STATEMENTS

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4. Related guarantees

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

As at 31 December 2017, there was no guarantee provided by any related party for the Group.

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

As at 31 December 2017, there was no guarantee provided by the Group for any related party.

(3) *Guarantees 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	GSI	500,000,000.00	2015-11-20	2022-6-15	No
Huangpu Wenchong	Wenchong Shipyard	152,000,000.00	2017-1-19	2019-5-21	No
Huangpu Wenchong	Wenchong Shipyard	180,000,000.00	2017-6-26	2019-6-26	No
Huangpu Wenchong	Wenchong Shipyard	19,505,750.00	2017-12-1	2018-12-1	No
Wenchong Shipyard	Huangpu Wenchong	500,000,000.00	2012-7-18	2019-7-15	No

Note: Huangpu Wenchong, a subsidiary of the Company, provided guarantee in the amount of EUR2.5 million, equivalent to RMB19,505,750 based on current exchange rate, for Wenchong Shipyard.

5. Disposal of equity interests to related parties

(1) *Disposal of equity interest in GSI Yangzhou*

The Company transferred its 51% equity interest in GSI Yangzhou, a then wholly-owned subsidiary of the Company, to CSSC, the controlling shareholder of the Company, through an agreement at a consideration of RMB741,158,500. As at the end of the year, the transfer of 51% equity interest in GSI Yangzhou was completed and the consideration for transfer had been fully recovered. For details, please refer to Note VI.65.

(2) *Disposal of equity interest in Xingji*

Huangpu Wenchong, a subsidiary of the Company, transferred part of its equity interest in Xingji 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.

6. Receipt of compensation for relocation from related parties

During the year, GSI, a subsidiary of the Company, received a compensation for relocation from GSI land in the amount of RMB826,965,300 from Guangzhou Shipyard Shipping, details of which are set out in Note VI.59.

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

7. Other related party transactions

Type of related party transactions	Name of related party	Current year	Last year
Handling charges for factoring	CSSC (Hong Kong) Shipping Company Limited ^{Note 2}	32,361.08	2,253,924.00
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	20,287,134.01	15,312,625.15
Sales agency fees	China Shipbuilding Trading Co., Ltd	13,566,439.73	17,890,206.54
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited	2,597,308.04	3,561,536.14
Sales agency fees	China Shipbuilding Trading Shanghai Co., Ltd.	95,328.91	
Sales agency fees	China United Shipbuilding Company Limited		1,930,161.40
Procurement agency fees	China United Shipbuilding Company Limited	3,402,810.01	3,801,815.86
Procurement agency fees	China Shipbuilding Trading Co., Ltd.	244,388.32	562,198.88
Procurement agency fees	CSSC (Hong Kong) Shipping Company Limited	67,541.15	
Total		40,293,311.25	45,312,467.97

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 US\$186.00 million. CSSC HK charged handling fee of 0.2%, and it has the right of recourse in respect of the ship progress fees. CSSC HK pledged this export ship progress fee to DBS Bank and borrowed US\$186.00 million. As at 31 December 2017, all of the 7 ships had been delivered, and the shipbuilding progress payment had been fully collected. The factoring relationship had been released.

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 Chapter 14A of the Listing Rules in Hong Kong and are disclosed in details in the Connected Transaction section in the Director's Report as required.

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

1. Purchase of goods and services received

Related party	Content of connected transactions	Current year	Last year
Large-scale Machinery	Purchase of goods and services received		72,904.56
GSI Elevator	Purchase of goods and services received		840,683.77
Guangli	Services received	7,570,000.49	8,250,065.52
Hongfan Technology	Purchase of goods and services received	218,601.83	18,512.82
Zhongshan GSI	Purchase of goods and services received	16,402,152.99	
United Steel	Purchase of goods and services received	314,403.59	
GSI	Purchase of goods and services received	2,173,235.88	1,935,174.09
Hongfan Hotel	Purchase of goods and services received	90,428.20	68,212.00
Total		26,768,822.98	11,185,552.76

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

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

2. Sale of goods and provision of services

Related party	Content of connected transactions	Current year		Last year	
Large-scale Machinery	Sale of goods and leasing of assets				61,538.46
GSI Elevator	Sale of goods	138,925.39			
Guangli	Sale of goods				6,960.68
United Steel	Sale of goods and leasing of assets				36,324.78
Zhongshan GSI	Sale of goods and leasing of assets	10,040,212.68			5,953,199.90
GSI	Sale of goods	49,045,816.18			81,780,560.47
GSI Yangzhou	Rendering of services				5,471,698.12
Total		59,224,954.25			93,310,282.41

(iv) Balances with related parties

1. Consolidated

(1) Receivables from related parties

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.			12,876,919.99	
Sub-total of notes receivable			12,876,919.99	
Interest receivable				
CSSC Finance Company Limited	18,932,178.05		60,993,212.80	
Sub-total of interest receivable	18,932,178.05		60,993,212.80	
Accounts receivable				
CSSC (Hong Kong) Shipping Company Limited	32,017,580.00	160,087.90		
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	9,377,536.32	46,887.68	22,084,357.92	110,421.79
Guangzhou Wenchong Dockyard Co., Ltd.	7,413,207.22	37,066.04	12,973,707.51	64,868.54
Beijing Shipbuilding Information Technology Co., Ltd	2,890,000.00	14,450.00	4,979,300.00	24,896.50
Wah-Chang International Marine Industry Company Limited	1,176,972.77	5,884.86		
CSSC Guangxi Ships and Maritime Engineering Co., Ltd	1,157,660.00	5,788.30		
Guangzhou Shipyard Co., Ltd.	969,058.77	4,845.29	2,708,421.46	13,542.11
Shanghai Haixun Electrical Engineering Co., Ltd.	750,000.00	3,750.00		
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	595,078.06	2,975.39	399,026.20	1,995.13
China Shipbuilding Technology Institute	514,000.00	2,570.00	514,000.00	2,570.00
China Shipbuilding Trading (Guangzhou) Co., Ltd.	303,179.08	1,515.90	1,082,812.22	5,414.06
China State Shipbuilding Corporation Limited	200,000.00	1,000.00		
CSSC Heavy Equipment Co., Ltd.	180,947.50	904.74	57,905.50	289.53
Guangzhou Ship Industrial Company Technician Training School of Guangzhou Huangpu Shipyard	133,874.31	669.37	36,974.00	184.87
CSSC Science & Technology Co., Ltd	90,000.00	450.00	194,900.00	974.50
	81,200.00	406.00	81,200.00	406.00

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Workers' Hospital of Guangzhou Huangpu Shipyard	60,065.40	300.33	50.00	0.25
Guangzhou GSI Nursing Home Co., Ltd.	42,777.00	213.89		
CSSC Southern China Ship Machinery Co., Ltd.	24,800.00	124.00	83,460.00	417.30
MARIC	18,732.00	93.66	57,328.00	286.64
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	18,450.00	92.25	20,693.00	103.47
CSSC Systems Engineering Research Institute	15,000.00	75.00	285,000.00	1,425.00
China Shipbuilding NDRI Engineering Co., Ltd.	14,650.00	73.25	5,224,085.00	26,120.43
CSSC Xijiang Shipbuilding Co., Ltd.	5,560.00	27.80	5,400.00	27.00
CSSC Chengxi Xinrong Shipbuilding Company Limited	4,900.00	24.50		
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	1,545.00	7.73	84,574.00	422.87
CSSC Gujiang Shipbuilding Co., Ltd. Technician Training School of Guangzhou Shipyard			75,846.50	379.23
CSSC Nanjing Luzhou Machine Co., Ltd.			67,869.50	339.35
Marine Design and Research Institute of China			30,000.00	150.00
Shanghai Shipbuilding Technology Research Institute			9,400.00	47.00
Kindergarten of Guangzhou Huangpu Shipyard			3,000,000.00	15,000.00
			17,851.80	89.26
Sub-total of accounts receivable	58,056,773.43	290,283.87	54,074,162.61	270,370.83
Prepayments				
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	448,706,437.43		372,249,931.14	
China Shipbuilding Trading Shanghai Co., Ltd.	246,377,251.89		243,644,805.55	
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	109,004,000.00		65,980,000.00	
Eastern Shanghai Heavy Machinery Co., Ltd.	66,903,000.00		87,097,085.47	
China United Shipbuilding Company Limited	39,657,678.09		455,502.30	
China Shipbuilding Trading Co., Ltd.	36,099,984.27		29,259,603.38	
Marinequip China Company Limited	29,671,914.54			
CSSC Marine Power Co. Ltd.	9,250,000.00		43,618,499.98	
CSSC Nanjing Luzhou Machine Co., Ltd.	7,557,000.00		40,624,000.00	
TTS Hua Hai Ships Equipment Co., Ltd.	5,240,000.00		10,480,000.00	
Wah-Chang International Marine Industry Company Limited	3,198,565.37		3,198,565.37	
CSSC Marine Technology Co., Ltd.	1,099,400.01			
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	936,871.80			
Jiujiang Haitian Equipment Manufacture Co., Ltd.	600,000.00			
Anqing CSSC Diesel Engine Co., Ltd.	378,000.00		18,916,666.67	

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

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
CSSC (Hong Kong) Shipping Company Limited	308,175.65		405,019.15	
China Shipbuilding Industry . Complete Logistics Co., Ltd	54,386.25			
Jiujiang CSSC Chang'an Fire Equipment Manufacture Co., Ltd.	50,000.00			
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	48,267.85			
Jiangxi CSSC Navigation Instrument Co., Ltd.	15,860.00		15,860.00	
Haiying Enterprises Group Co., Ltd.			850,000.00	
=CSSC Southern China Ship Machinery Co., Ltd.			772,500.00	
Jiujiang Shipbuilding Fire Automation Co., Ltd.			335,000.00	
Sub-total of prepayments	1,005,156,793.15		917,903,039.01	
Other receivables				
Jiangxi Chaoyang Machinery Factory	795,000.00	3,975.00		
Guangzhou Shipyard Hospital	309,000.00	1,545.00	9,000.00	45.00
CSSC (Hong Kong) Shipping Company Limited	206,416.98	1,032.08	625,684.13	3,128.42
Guangzhou Ship Industrial Company	195,950.00	979.75	92,400.00	462.00
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	188,746.75	943.73	188,746.75	943.73
Guangzhou Wenchong Dockyard Co., Ltd.	120,000.00	600.00	389,944.40	1,949.72
Guangzhou Shipyard Co., Ltd.	75,220.65	376.10	18,642.62	93.21
China Shipbuilding Trading Co., Ltd.	74,934.51	374.67	50,972.41	254.86
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	51,292.00	256.46	245,000.00	1,225.00
Shanghai Shenbo Information . System Engineering Co., Ltd	20,000.00	100.00		
Shanghai Shipbuilding Technology Research Institute	7,400.00	37.00		
Guangzhou Huamao Centre	6,274.32	31.37	22,558.38	112.79
Beijing Ship Industry Management College	3,200.00	16.00	9,600.00	48.00
China State Shipbuilding Corporation Limited	2,085.30	10.43	207,411.12	1,037.06
Marine Design and Research Institute of China			1,022.47	5.11
China United Shipbuilding Company Limited			704.00	3.52
Technician Training School of Guangzhou Huangpu Shipyard			664.95	3.32
Guangzhou Nanfang Special Coating Co., Ltd.			491.36	2.46
Sub-total of other receivables	2,055,520.51	10,277.60	1,862,842.59	9,314.20
Total	1,084,201,265.14	300,561.47	1,047,710,177.00	279,685.03

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(2) Payables to related parties

Name of item	Related party	Ending balance	Beginning balance
Notes payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	343,121,912.85	583,111,544.51
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	110,784,000.00	41,120,000.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	103,263,000.00	307,315,000.00
	CSSC Marine Power Co. Ltd.	40,307,600.00	46,788,500.00
	Anqing CSSC Diesel Engine Co., Ltd.	29,395,000.00	31,323,000.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	12,559,000.00	4,240,000.00
	CSSC Systems Engineering Research Institute	9,205,500.00	257,097,100.00
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	9,059,700.00	
	Marine Design and Research Institute of China	4,750,000.00	3,958,000.00
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	3,523,525.52	
	SSC Nanjing Luzhou Machine Co., Ltd.	3,010,000.00	25,907,980.00
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	757,500.00	
	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 Oasis Environmental Protection Co., Ltd.		1,231,800.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.		638,963.00
	Sub-total of notes payable	669,736,738.37	1,313,629,887.51
Interest payable			
	CSSC Finance Company Limited	2,696,234.31	2,389,432.63
	Sub-total of interest payable	2,696,234.31	2,389,432.63
Accounts payable			
	CSSC Systems Engineering Research Institute	486,509,465.68	341,167,500.00
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	262,410,337.46	538,648,153.42
	China Shipbuilding NDRI Engineering Co., Ltd.	138,145,655.43	84,818,252.64
	CSSC Marine Power Co. Ltd.	75,701,705.00	29,780,970.00
	Guangzhou Ship Industrial Company	73,335,324.41	44,546,231.83
	Eastern Shanghai Heavy Machinery Co., Ltd.	51,263,758.66	24,789,500.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	33,667,275.36	43,026,555.39
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,475,785.09	18,472,294.28
	Haiying Enterprises Group Co., Ltd.	16,900,000.00	
	CSSC Southern China Ship Machinery Co., Ltd.	15,404,462.40	13,147,195.40
	Anqing CSSC Diesel Engine Co., Ltd.	15,093,352.32	24,216,000.00
	CSSC Nanjing Luzhou Machine Co., Ltd.	15,004,900.00	4,366,101.71
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	10,649,183.97	1,532,607.69
	CSSC (Hong Kong) Shipping Company Limited	9,666,851.39	13,736,881.79
	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	9,666,540.19	
	Guangzhou Shipyard Co., Ltd.	8,507,535.13	31,612,369.71
	CSSC Science & Technology Co., Ltd.	8,480,000.00	
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	6,101,403.14	16,725,635.60
	Marine Design and Research Institute of China	5,066,000.00	9,444,009.42
	Shanghai CSSC Ship Design Technology and International Engineering Research Centre Co., Ltd.	4,799,793.80	1,218,149.57
	TTS Hua Hai Ships Equipment Co., Ltd.	4,596,293.58	
	Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	4,380,841.76	5,066,730.27
	China Ship Power Station Equipment Co., Ltd.	3,780,350.00	2,249,500.00
	Beijing Shipbuilding Information Technology Co., Ltd.	3,451,595.50	2,903,654.50
	Shanghai Hudong Shipyard Valve Co., Ltd.	3,385,837.75	2,554,831.38
	China Shipbuilding International Trading Co., Ltd.	3,185,625.00	3,771,378.81
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	3,125,982.91	1,693,486.75
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	2,894,972.50	5,232,401.35

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Name of item	Related party	Ending balance	Beginning balance
	Jiangxi Chaoyang Machinery Factory	2,662,277.80	1,282,013.55
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	2,439,234.10	298,753.51
	CSSC Marine Technology Co., Ltd.	2,299,700.00	2,780,500.00
	CSSC Hua Hai Ships Equipment Co., Ltd.	2,011,500.00	4,596,500.00
	Shanghai Starry ship Ocean Engineering Service Co., Ltd.	1,978,800.00	361,538.46
	Beijing Lei Yin Electronic Technology Development Co., Ltd.	1,816,800.00	
	Guangzhou Shipyard HR Service Co., Ltd.	1,508,974.25	1,279,290.78
	Shanghai Zhen Nan Engineering Supervisions Co., Ltd.	1,461,102.65	
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	1,322,000.00	3,658,000.00
	Guangzhou Wenchong Dockyard Co., Ltd.	1,244,893.83	3,933,072.02
	China Shipbuilding Trading Co., Ltd.	872,102.08	104,626.37
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	528,463.00	2,505,812.92
	Shanghai Shenbo Information System Engineering Co., Ltd.	475,000.00	
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	445,830.70	
	Shanghai Shipbuilding Technology Research Institute	435,000.00	
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	408,800.00	1,050,000.00
	CSSC Electronic Technology Co., Ltd.	390,000.00	160,000.00
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	335,327.65	738,287.65
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	329,669.10	
	Haifeng Navigation Technology Co., Ltd.	300,000.00	363,000.00
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd	286,067.18	932,884.80
	Shanghai Merchant Vessel Design and Research Institute	255,538.21	479,000.00
	Jiujiang Precision Testing Technology Research Institute	204,227.40	165,227.40
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	131,794.98	
	Shanghai Dongxin Software Engineering Co., Ltd.	125,000.00	
	CSSC Finance Company Limited	83,000.00	33,000.00
	Workers' Hospital of Guangzhou Huangpu Shipyard	77,790.00	
	Anqing Marine Electric Co., Ltd.	72,360.00	117,854.70
	Technician Training School of Guangzhou Huangpu Shipyard	50,751.00	25,000.00
	CSSC Materials Engineering Co., Ltd.	40,000.00	80,000.00
	Guangzhou Bohang Environment Monitoring Services Co., Ltd.	13,000.00	
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	China State Shipbuilding Corporation Limited	9,141.20	9,141.20
	China United Shipbuilding Company Limited		23,458,761.90
	China Shipbuilding Industry Complete Logistics Co., Ltd.		1,925,633.02
	China Shipbuilding Technology Institute		1,040,800.00
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.		989,739.11
	Marinequip China Company Limited		731,328.44
	MARIC		260,000.00
	Jiujiang CSSC Chang'an Fire Equipment Manufacture Co., Ltd.		252,800.00
	Jiangxi CSSC Navigation Instrument Co., Ltd.		234,000.00
	Shanghai CSSC Fire Protection Engineering Technology Co., Ltd.		205,932.00
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd		81,581.95
	Sub-total of accounts payable	1,318,275,246.94	1,318,864,744.67

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Name of item	Related party	Ending balance	Beginning balance
Advances from customers			
	CSSC Shanghai Ship Industrial Co., Ltd.	685,920.00	
	Guangzhou Wenchong Dockyard Co., Ltd.	45,727,410.96	68,243,689.42
	Guangzhou Shipyard Co., Ltd.	371,340.00	10,820.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	300,000.00	
	Guangzhou Ship Industrial Company	239,270.18	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	10,000.00	10,000.00
	Wah-Chang International Marine Industry Company Limited	1,243,840.14	
	China Shipbuilding Trading Co., Ltd.		36,260,000.00
	CSSC Science & Technology Co., Ltd.		7,527,935.63
	Marine Design and Research Institute of China		3,200,000.00
	Shanghai Haixun Electrical Engineering Co., Ltd.		1,923,076.92
	China Shipbuilding Technology Institute		837,735.85
	CSSC Guijiang Shipbuilding Co., Ltd.		50,670.75
	Sub-total of advances from customers	48,577,781.28	118,063,928.57
Other payables			
	China Shipbuilding NDRI Engineering Co., Ltd.	3,250,872.45	4,908,147.52
	Shanghai Merchant Vessel Design and Research Institute	800,000.00	
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	743,400.00	540,000.00
	CSSC Financial Leasing (Shanghai) Co., Ltd.	592,202.69	592,202.69
	China United Shipbuilding Company Limited	473,319.81	469,396.39
	CSSC Systems Engineering Research Institute	438,000.00	
	Shanghai Shenbo Information System Engineering Co., Ltd.	285,160.00	
	China Shipbuilding Trading Co., Ltd.	133,766.03	
	Guangzhou Shipyard HR Service Co., Ltd.	110,922.00	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	20,000.00	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	1,500.00	
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	1,000.00	
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	500.00	500
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd	500.00	
	CSSC Southern China Ship Machinery Co., Ltd.	500.00	
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	100.00	
	Workers' Hospital of Guangzhou Huangpu Shipyard	43.34	400.00
	China State Shipbuilding Corporation Limited		2,865,188.68
	Guangzhou Shipyard Co., Ltd.		2,825.96
	CSSC Chengxi Shipbuilding Co., Ltd.		862.00
	Sub-total of other payables	6,851,786.32	9,379,523.24
	Total	2,046,137,787.22	2,762,327,516.62

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

(1) Receivables from related parties

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Zhongshan GSI Marine Engineering Company Limited	6,491,342.78		6,872,113.93	
	Guangzhou Shipyard International Company Limited	5,808,865.57		17,296,186.41	
	Sub-total of accounts receivable	12,300,208.35		24,168,300.34	
Prepayments					
	Zhongshan GSI Marine Engineering Company Limited			14,759,260.52	
	Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	700,000.00		700,000.00	
	Sub-total of prepayments	700,000.00		15,459,260.52	
Other receivables					
	Guangzhou Shipyard International Company Limited	7,817,530.48		705,022.04	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	99,305.55		257,201.38	
	Guangzhou Wenchong Shipyard Co., Ltd.	183,333.33			
	Sub-total of other receivables	8,100,169.36		962,223.42	
Long-term receivables due with one year					
	Guangzhou Shipyard International Company Limited	500,000,000.00			
	CSSC Huangpu Wenchong Shipbuilding Company Limited	100,000,000.00			
	Sub-total of long-term receivables due with one year	600,000,000.00			
	Total	621,100,377.71		40,589,784.28	

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(2) Payables to related parties

Name of item	Related party	Ending balance	Beginning balance
Accounts payable			
	Guangzhou United Steel Structures Limited	11,764,663.84	15,769,088.18
	Zhongshan GSI Marine Engineering Company Limited	6,704,453.48	1,480,000.00
	Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	4,891,679.46	9,251,621.26
	Guangzhou Shipyard International Company Limited	1,544,218.15	15,866,269.99
	Guangdong GSI Elevator Co., Ltd.		983,600.00
	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited		117,286.57
	Guangzhou Hongfan Technology Co., Ltd.		79,845.00
	Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd. Nanhai Branch		9,336,919.60
	Sub-total of accounts payable	24,905,014.93	52,884,630.60
Other payables			
	Guangzhou Shipyard International Company Limited	26,830,089.92	20,455,349.84
	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	1,749,489.68	46.00
	Sub-total of other payables	28,579,579.60	20,455,395.84
	Total	53,484,594.53	73,340,026.44

(v) Remuneration of Directors, Supervisors and employees

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

Item	Fees of Directors and Supervisors	Salaries, bonus and allowances	Retirement benefit plan contributions	Total
Current year				
Executive Directors				
		744,951.41	30,216.42	775,167.83
		867,623.96	60,882.42	928,506.38
		752,678.43	30,216.42	782,894.85
		837,592.18	60,882.42	898,474.60
		744,783.70	30,216.42	775,000.12
Supervisors				
	90,000.00			90,000.00
	90,000.00			90,000.00
		478,923.17	30,216.42	509,139.59
		480,991.14	30,216.42	511,207.56
Non-executive Directors				
	200,000.00			200,000.00
	200,000.00			200,000.00
	200,000.00			200,000.00
	200,000.00			200,000.00
Total	780,000.00	4,907,543.99	272,846.94	5,960,390.93

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

Note: On 10 November 2017, the 42nd meeting of the eighth session of the Board was held, at which the resolution on the appointment of Mr. Hou Zengquan as the chief financial officer of the Company was passed. Mr. Chen Qionxiang resigned as the chief financial officer of the Company due to work reason.

2. Five highest paid individuals

Of the five highest paid individuals for the year, five are Directors (Last year: four Directors). The remuneration of Directors and Supervisors were set out in Note XI (V).(1).

Band of remuneration:

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

3. During the track record period, no director other than Zhu Mingyou had waived or agreed to waive any remuneration. During the track record period, 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.

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4. key management compensation

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

Item	Current year	Last year
Salaries, bonus and allowances	6,955,416.38	7,598,116.88
Retirement benefit plan contributions	335,829.60	297,848.70
Total	7,291,245.98	7,895,965.58

(vi) Amount due from Directors/affiliates of Directors

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

As at the end of the year, 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 the end of the year, the Group had no amount due from Directors/affiliates of Directors for which the Company has provided guarantee.

XII. SHARE-BASED PAYMENTS

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

XIII. CONTINGENCIES

1. Contingent liabilities arising from pending litigations or arbitrations

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

As there were disputes in relation to the delivery of two ships being H3067 and H3068, Huangpu Wenchong filed arbitrations with London Maritime Arbitrators Association on 29 January 2016 and 14 June 2016 respectively and the owners of these ships also issued counter-claims with value of approximately US\$19 million and interest. As at 31 December 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. (i) 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; (ii) 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. On 4 June 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua with the later returned all the related assets.

NOTES TO THE FINANCIAL STATEMENTS

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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.

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, which was fully in favour of GSI. 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 27 June 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.

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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 31 December 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 Huayu Electromechanical Equipment Co., Ltd. ("Huayu Company") was finally ruled by Guangzhou Intermediate People's Court on 13 October 2014. According to the ruling, Huayu was required to pay Pipe Company RMB4,953,239.77 and overdue interests as well as the liquidated damages while Pipe Company was required to pay Huayu Company the processing fee of RMB300,976.74. After the set-off, Huayu Company still had to pay Pipe Company RMB4,652,263.03. At present, Pipe Company has engaged lawyers to seek for enforceable properties of Huayu Company.
- (5) Wenchong Shipyard, a subsidiary of the Company, received a letter from the attorney of the ship owner of GWS374 for initiation of arbitration on 8 March 2013. The ship owner has started arbitration proceedings in London, the United Kingdom with respect to the warranty referred in Chapter IX of the contract and the breach of the contract and the specifications due to the quality of asbestos, and arbitrators have been appointed respectively. Both parties have re-collected samples from Ship No. GWS374 and sent the samples to different testing institutions respectively. The test results obtained by the parties were completely opposite. At present, the ship owner has not provided any other evidence and the case is still pending.
- (6) On 17 June 2015, Wenchong Shipyard, as the builder, Fortune Shanghai Shipping Limited ("FSSL", a wholly-owned subsidiary of CSSC HK), as the vendor, and Attalos Container Carrier S.A., as the purchaser, entered into a memorandum of understanding in relation to the resale of a 1,700-container container ship (with ship model of GWS486).

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

Wenchong Shipyard 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 31 December 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 31 December 2017.

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XIV. COMMITMENTS

1. Significant commitments

1) Pledge of assets

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

2) Undue guarantees and letter of credit

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

Type of guarantee	RMB	US\$
Performance guarantee	273,443,929.00	5,135,136.70
Advancement payment guarantee	709,379,026.80	424,600,236.70
Warranty guarantee	58,890,419.50	365,000.00
Customs duties guarantee	136,923,720.55	
Other non-financing letters of guarantee	200,000.00	1,230,000.00
Tender bond	9,300,000.00	
Total	1,188,137,095.85	431,330,373.40

3) As at the end of the year, the Group's issued but undue letters of credit amounted to US\$19,951,260.32, EUR30,128,890.80 and NOK8,380,369.50.

4) Outstanding foreign exchange option transactions

The Group attaches great importance to the research of exchange risk management policies and strategies. To prevent exchange rate risks, the Group entered into forward exchange contracts (forward exchange settlement), foreign exchange swaps and foreign exchange options trading portfolio contracts. As at the end of the year, the Group had a total of 5 outstanding forward settlement foreign exchange contracts with total amount of US\$50 million and latest settlement date of 27 December 2019, and recognised gains on change in fair value of RMB5,627,500 as at the end of the year; the Group had a total of 10 outstanding exchange swaps with total amount of US\$95.2 million and latest settlement date of 12 October 2018, and recognised gain on change in fair value of RMB-2,391,600 as at the end of the year; the Group had a total of 17 outstanding option portfolios with total amount of US\$384 million and latest settlement date of 28 December 2018, which are expected not to be exercised following tests and no gain on change of fair value was recognised as at the end of the year.

2. Fulfilment of previous commitments

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

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

XV. EVENTS AFTER BALANCE SHEET DATE

1. Profit distribution

In accordance with a resolution of the meeting of the Board held on 29 March 2018, the Company will not distribute dividend or increase its share capital by way of capitalisation of capital reserve for 2017. The profit distribution proposal is subject to the approval at the 2017 annual general meeting.

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2. Increase in capital of subsidiaries

In accordance with a resolution on the increase in the capital of Guangzhou Shipyard International Company Limited and a resolution on the increase in the capital of CSSC Huangpu Wenchong Shipbuilding Company Limited passed at the first extraordinary general meeting of 2018 of the Company held on 12 February 2018, GSI and Huangpu Wenchong, both subsidiaries of the Company, intended to introduce new shareholders for the implementation of debt-to-equity conversion and capital increase in cash.

- (1) By introducing eight new shareholders, being Zhongyuan Asset Management Co., Ltd. (“Zhongyuan Asset”), New China Life Insurance Company Ltd. (“New China Life Insurance”), China Structural Reform Fund Co., Ltd. (“China Structural Reform Fund”), China Pacific Property Insurance Co., Ltd. (“CPIC Property Insurance”), China Life Insurance Company Limited (“China Life”), PICC Property and Casualty Company Limited (“PICC”), ICBC Financial Asset Investment Co., Ltd. (“ICBC Investment”) and Beijing Dongfu Tianheng Investment Centre (Limited Partnership), the capital of GSI increased by RMB2.4 billion through two ways, being “direct conversion of debts into equity” and “capital increase in cash”. The Company did not participate in the capital increase. As at the date of the report, GSI had received the capital contribution of RMB2.4 billion made by these new shareholders, and its registered capital increased by RMB2,017,610,984.00. The shareholding percentage of GSI held by the Company was changed from 100% to 76.4214%.
- (2) By introducing eight new shareholders, being Huarong Ruitong Equity Investment Management (“Huarong Ruitong”), New China Life Insurance, China Structural Reform Fund, CPIC Property Insurance, China Life, PICC, ICBC Investment and Dongfu Tianheng, the capital of Huangpu Wenchong increased by RMB2.4 billion through two ways, being “direct conversion of debts into equity” and “capital increase in cash”. The Company did not participate in the capital increase. As at the date of the report, Huangpu Wenchong had received the capital contribution of RMB2.4 billion made by these new shareholders, and its registered capital increased by RMB886,099,154.00. The shareholding percentage of Huangpu Wenchong held by the Company was changed from 100% to 69.0164%.

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

XVI. OTHER SIGNIFICANT EVENTS

1. Correction of previous errors and their effect

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

2. 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 for the year

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

Amount for the year

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	22,597,390,327.50	1,072,539,494.65	1,826,119,813.37	-3,182,667,697.48	22,313,381,938.04
Including: Revenue from external transactions	20,461,012,459.35	1,009,381,917.95	842,987,560.74		22,313,381,938.04
Revenue from intra-segment transactions	2,136,377,868.15	63,157,576.70	983,132,252.63	-3,182,667,697.48	
Operating costs	21,954,197,336.11	575,561,830.46	2,367,774,706.06	-3,950,645,141.16	20,946,888,731.47
Period charge	1,828,600,727.68	42,507,509.62	122,504,973.43	-13,110,091.42	1,980,503,119.31
Segment total profit (total loss)	15,368,056.36	73,569,299.85	135,172,024.66	-55,627,870.88	168,481,509.99
Total assets	44,683,021,148.98	432,120,390.86	12,031,832,892.01	-12,989,312,404.22	44,157,662,027.63
Total liabilities	33,627,591,564.32	192,846,015.65	2,234,927,660.90	-3,843,845,081.36	32,211,520,159.51
Supplementary information					
Capital expenditure	775,231,179.26	373,880.05	198,961,593.35	-110,929,282.02	863,637,370.64
Impairment loss recognised during current period	207,240,029.56	252,339.61	-4,291,264.13	-9,961,744.55	193,239,360.49
Depreciation and amortisation expense	638,833,731.11	1,838,030.29	104,586,742.63	-1,056,476.73	744,202,027.30

Amount for last year

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

b. Revenue from external transactions by origin of revenue

Item	Current year	Last year
Revenue from external transactions derived from China	15,321,717,357.89	16,211,327,703.29
Revenue from external transactions derived from other countries	6,991,664,580.15	7,138,277,194.40
Total	22,313,381,938.04	23,349,604,897.69

c. Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China	13,380,356,734.16	13,605,531,080.32
Non-current assets in other countries	260,187,291.34	14,829,188.42
Total	13,640,544,025.50	13,620,360,268.74

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

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

1. Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash	2,255.54	1,645.27
Bank deposits	513,256,051.65	88,026,589.25
Other cash at bank and on hand		30,000,000.00
Total	513,258,307.19	118,028,234.52

Including: Total amount deposited overseas

Note: Other cash at bank and on hand of the Company as at the end of the year included fixed deposit of RMB0.00 (Beginning balance: RMB30,000,000.00).

2. Notes receivable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	100,000.00	1,949,644.23
Total	100,000.00	1,949,644.23

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

3. Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	39,981,105.94	45,420,827.13
Less: Provision for bad debts	5,166,062.07	5,381,478.78
Net amount	34,815,043.87	40,039,348.35

(1) Credit period of accounts receivable

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

NOTES TO THE FINANCIAL STATEMENTS

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(2) Ageing analysis on accounts receivable

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	25,362,785.45	64,077.63	0.25
1-2 years	1,257,287.47	5,286.44	0.42
2-3 years			
3-4 years	5,748,814.33	4,000,254.75	69.58
4-5 years	1,417,360.45	185,768.26	13.11
Over 5 years	6,194,858.24	910,674.99	14.70
Total	39,981,105.94	5,166,062.07	12.92

(Continued)

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			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Net amount	Amount	Percentage (%)	Amount	Percentage of provision (%)	Net amount
Accounts receivable which are individually significant and for which provision for bad debts is made on an individual basis	34,925,434.75	87.35	110,390.88	0.32	34,815,043.87	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	5,055,671.19	12.65	5,055,671.19	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	39,981,105.94	-	5,166,062.07	-	34,815,043.87	45,420,827.13	-	5,381,478.78	-	40,039,348.35

NOTES TO THE FINANCIAL STATEMENTS

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- 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 year*

Name	Book balance	Amount of bad debts	Percentage (%)	Reasons for provision
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Expected to be unrecoverable
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Expected to be unrecoverable
Hefei Haier Refrigerator Co., Ltd.	32,600.00	32,600.00	100.00	Expected to be unrecoverable
Hefei Rongshida Refrigerator Co., Ltd.	14,565.60	14,565.60	100.00	Expected to be unrecoverable
Guangzhou Merro Steel Grating Co., Ltd.	35,000.00	35,000.00	100.00	Expected to be unrecoverable
Hisense (Nanjing) Electric Company Limited	39,100.00	39,100.00	100.00	Expected to be unrecoverable
Shenzhen Jishang Architectural Company	15,904.00	15,904.00	100.00	Expected to be unrecoverable
Qingdao Haier Special Plastic Co., Ltd.	44,800.00	44,800.00	100.00	Expected to be unrecoverable
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	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
TENOVA AUSTRALIA PTY LTD	3,991,468.02	3,991,468.02	100.00	Expected to be unrecoverable
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Expected to be unrecoverable
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Expected to be unrecoverable
Zhenhua Gulf Engineering Co. Ltd.	72,158.73	72,158.73	100.00	Expected to be unrecoverable
Total	5,055,671.19	5,055,671.19	100.00	

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

Name of portfolio	Book balance	Amount of bad debts	Percentage (%)
Within one year	13,362,577.10	64,077.63	0.5
1-2 years	1,057,287.47	5,286.44	0.5
2-3 years	1,656,674.87	8,283.37	0.5
3-4 years	1,158,452.54	5,792.27	0.5
4-5 years	3,938,836.92	19,694.18	0.5
Over 5 years	1,451,397.50	7,256.99	0.5
Total	22,625,226.40	110,390.88	-

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

Name of portfolio	Book balance as at the end of the year	Provision for bad debts	Net amount
Receivables from subsidiaries	12,300,208.35	0.00	12,300,208.35
Total	12,300,208.35	-	12,300,208.35

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

Provision for bad debts made during the year amounted to RMB274,544.29; provision for bad debts released or reversed during the year amounted to RMB0.00.

- 5) *Accounts receivable written-off during the year are as follows:*

Item	Amount written-off
Accounts receivable written-off	489,961.00

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6) Top five accounts receivable by ending balance of debtors

Name	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Guangzhou Shipyard International Company Limited	6,491,342.78	0-3 years	16.24	
Zhongshan GSI Marine Engineering Company Limited	5,808,865.57	0-2 years	14.53	
TENOVA AUSTRALIA PTY LTD	3,991,468.02	3-4 years	9.98	3,991,468.02
Fifth Construction Engineering Company of China Construction Sixth Engineering Division Corporation Limited	3,758,836.92	Over 5 years	9.40	18,794.18
Nanshan Waste Power Plant of Shenzhen Energy Environmental Protection Co., Ltd.	1,451,397.50	Within one year	3.63	7,256.99
Total	21,501,910.79		53.78	4,017,519.19

4. Prepayments

(1) Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,161,905.00	62.40	5,724,270.16	36.11
1-2 years	0.00	0.00	10,128,968.20	63.89
2-3 years	700,000.00	37.60		
Over 3 years	0.00	0.00		
Total	1,861,905.00	-	15,853,238.36	-

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

Name	Relationship with the Company	Amount	Percentage of prepayments (%)	Ageing	Reason for unsettlement
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	Subsidiary	700,000.00	37.60	2-3 years	Project uncompleted
Total		700,000.00			

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

Name	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	700,000.00	1-2 years	37.60
Guangzhou Jin Jie Fu Metal Products Co., Ltd.	255,446.00	Within one year	13.72
Cybelec Numerical Control Technology (Shanghai) Co., Ltd.	144,000.00	Within one year	7.73
Guangzhou Yuexin Crankshaft Manufacturing Co., Ltd.	136,000.00	Within one year	7.30
Liyang Jinkun Forging Co., Ltd.	132,640.00	Within one year	7.12
Total	1,368,086.00	-	73.48

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5. Interest receivable

Item	Ending balance	Beginning balance
Fixed deposit		270,183.33
Others	403,909.69	
Total	403,909.69	270,183.33

6. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	9,133,505.56	1,862,155.44
Less: Provision for bad debts	5,166.68	4,499.66
Net amount	9,128,338.88	1,857,655.78

(1) Ageing analysis of other receivables

Item	Ending balance					Beginning balance				
	Carrying amount	Percentage (%)	Provision for bad debts	Percentage of provision (%)	Net amount	Carrying amount	Percentage (%)	Provision for bad debts	Percentage of provision (%)	Net amount
Within one year	8,718,878.98	95.46	3,093.55	0.04	8,715,785.43	1,591,175.74	85.45	3,144.76	0.20	1,588,030.98
1-2 years	265,000.00	2.90	1,325.00	0.50	263,675.00	270,979.70	14.55	1,354.90	0.50	269,624.80
2-3 years	149,626.58	1.64	748.13	0.50	148,878.45					
Total	9,133,505.56	-	5,166.68	0.06	9,128,338.88	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	Percentage	Provision for bad debts	Percentage of provision	Carrying value	Book balance	Percentage	Provision for bad debts	Percentage of provision	Carrying value
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
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	9,133,505.56	100.00	5,166.68	0.06	9,128,338.88	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 for bad debts is made on an individual basis										
Total	9,133,505.56	-	5,166.68	-	9,128,338.88	1,862,155.44	-	4,499.66	-	1,857,655.78

NOTES TO THE FINANCIAL STATEMENTS

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

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within one year	618,709.62	3,093.55	0.50
1-2 years	265,000.00	1,325.00	0.50
2-3 years			
3-4 years	149,626.58	748.13	0.50
Total	1,033,336.20	5,166.68	-

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

Name of portfolio	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Receivables from subsidiaries	8,100,169.36		
Total	8,100,169.36		-

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

Provision for bad debts made during the year amounted to RMB5,166.68; there was no provision for bad debts recovered or reversed during the year.

- (4) Breakdown of other receivables by nature

Nature	Book balance as at the end of the year	Book balance as at the beginning of the year
Refundable deposit	10,440.00	10,440.00
Temporary payments receivable	8,969,153.42	1,709,722.74
Reserve funds	153,912.14	141,992.70
Total	9,133,505.56	1,862,155.44

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

Name	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debts
Guangzhou Shipyard International Company Limited	Current account	7,817,530.48	Within one year	85.59	
Zhongshan Marinotec Development Co., Ltd.	Deposit	265,000.00	1-2 years	2.90	1,325.00
Guangzhou Wenchong Shipyard Co., Ltd.	Interest	183,333.33	Within one year	2.01	
Fifth Construction Engineering Company of China Construction Sixth Engineering Division Corporation Limited	Advances	113,339.52	Within one year	1.24	566.70
CSSC Huangpu Wenchong Shipbuilding Company Limited	Interest	99,305.55	Within one year	1.09	
Total	-	8,478,508.88	-	92.83	1,891.70

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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	14,940,522.06		14,940,522.06	7,776,306.29		7,776,306.29
Work in progress	100,335,599.43	8,979,129.40	91,356,470.03	142,094,975.34	21,604,464.12	120,490,511.22
Finished goods	15,417,771.61	15,951.95	15,401,819.66	11,193,235.26	15,951.95	11,177,283.31
Goods in transit	9,497,676.83		9,497,676.83	6,053,793.99		6,053,793.99
Total	140,191,569.93	8,995,081.35	131,196,488.58	167,118,310.88	21,620,416.07	145,497,894.81

(2) Provision for impairment of inventories

Item	Beginning balance	Increase for the year		Decrease for the year		Ending balance
		Provision	Others	Reversal or writing-off	Other transfer-out	
Raw materials						
Work in progress	21,604,464.12	-5,785,965.60		6,839,369.12		8,979,129.40
Finished goods	15,951.95					15,951.95
Total	21,620,416.07	-5,785,965.60		6,839,369.12		8,995,081.35

(3) Provision for impairment of inventories

Item	Basis for determination of net realisable value	Reason for reversal (or recovery) during the year
Raw materials		
Work in progress	Market value	Increase in value, completed for sale
Finished goods	Market value	

8. Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Long-term entrusted loans due within one year	50,000,000.00		Note
Long-term receivables due within one year	600,000,000.00		
Total	650,000,000.00		

Note: Long-term entrusted loans and long-term receivables due within one year represented borrowings to subsidiaries.

9. Other current assets

Item	Ending balance	Beginning balance	Nature
Input tax to be offset	12,058,591.92	22,772,600.20	
Short-term entrusted loans	270,000,000.00		
Total	282,058,591.92	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	0.00		600,000,000.00	
Total	0.00		600,000,000.00	

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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	7,232,881,238.66		7,232,881,238.66	8,535,717,482.56		8,535,717,482.56
Investments in associates	640,978,366.06		640,978,366.06			
Investments in joint ventures	28,345,549.91		28,345,549.91			
Total	7,902,205,154.63		7,902,205,154.63	8,535,717,482.56		8,535,717,482.56

(2) Investments in subsidiaries

Investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Provision for impairment made during the year	Ending balance of provision for impairment
Guangzhou Shipyard International Company Limited	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		
CSSC Chengxi Yangzhou Shipbuilding Company Limited	1,302,836,243.90		1,302,836,243.90			
Total	8,535,717,482.56		1,302,836,243.90	7,232,881,238.66		

Note: Please refer to Note VII.1 for change in long-term equity investments in the year.

(3) Investments in joint ventures

Investee	Beginning balance	Additional investment	Decrease in investment	Change for the year					Ending balance	Ending balance for provision for impairment
				Investment gain or loss recognised using equity method	Other comprehensive income adjustment	Other changes in equity	Declaration and payment of cash dividend or profit	Provision for impairment made		
Nanfeng Environment Co., Ltd.		30,000,000.00	0	-1,654,450.09					28,345,549.91	
Total		30,000,000.00		-1,654,450.09					28,345,549.91	

(4) Investments in associates

Investee	Beginning balance	Additional investment	Decrease in investment	Change for the year					Ending balance	Ending balance for provision for impairment
				Investment gain or loss recognised using equity method	Other comprehensive income adjustment	Other changes in equity	Declaration and payment of cash dividend or profit	Provision for impairment made		
CSSC Chengxi Yangzhou Shipbuilding Company Limited				2,479,734.92			-913,841.53	639,412,472.67	640,978,366.06	
Total				2,479,734.92			-913,841.53	639,412,472.67	640,978,366.06	

(5) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	7,902,205,154.63	8,535,717,482.56
Total	7,902,205,154.63	8,535,717,482.56

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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 year	4,272,909.88			214,271.09	4,487,180.97
(1) Purchase				214,271.09	214,271.09
(2) Transfer from debt settlement	4,272,909.88				4,272,909.88
3. Decrease for the year			639,017.88		639,017.88
(1) Disposal or retirement			639,017.88		639,017.88
4. Ending balance	135,879,178.20	82,867,580.72	2,621,466.86	837,972.94	222,206,198.72
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 year	3,805,067.47	3,507,609.22	-372,938.73	65,752.86	7,005,490.82
(1) Provision made	3,805,067.47	2,881,451.77	223,022.60	95,948.99	7,005,490.82
(2) Other transfer-in		626,157.45	-595,961.33	-30,196.13	
3. Decrease for the year			285,348.60		285,348.60
(1) Disposal or retirement			285,348.60		285,348.60
4. Ending balance	76,524,616.25	66,724,554.58	1,856,709.61	350,820.40	145,456,700.84
III. Provision for impairment					
1. Beginning balance					
2. Increase for the year					
3. Decrease for the year					
4. Ending balance					
IV. Carrying value					
1. Carrying value at the end of the year	59,354,561.95	16,143,026.14	764,757.25	487,152.54	76,749,497.88
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 year amount to RMB7,005,490.82 (Last year: RMB7,339,120.68).

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

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	59,354,561.95	58,886,719.54
Total	59,354,561.95	58,886,719.54

13. Disposal of fixed assets

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

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14. Intangible assets

Item	Land use rights	Software	Others	Total
I. Original carrying amount				
1. Beginning balance	14,780,508.50			14,780,508.50
2. Increase for the year				
3. Decrease for the year				
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 year		323,303.28		323,303.28
(1) Provision made		323,303.28		323,303.28
3. Decrease for the year				
4. Ending balance		3,988,478.60		3,988,478.60
III. Provision for impairment				
1. Beginning balance				
2. Increase for the year				
3. Decrease for the year				
4. Ending balance				
IV. Carrying value				
1. Carrying value at the end of the year	10,792,029.90			10,792,029.90
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 year.

Land use rights analysed by region and term:

Item	Ending balance	Beginning balance
Within China		
Medium term (10-50 years)	10,792,029.90	11,115,333.18
Total	10,792,029.90	11,115,333.18

The amortisation of intangible assets recognised in profit or loss during the year amounted to RMB323,303.28 (Last year: RMB325,075.44).

15. Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases for the year	Ending balance
Improvement in leased fixed assets	343,667.20		341,322.96		2,344.24
Total	343,667.20		341,322.96		2,344.24

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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	14,166,310.10	31,549,660.98
Deductible tax loss	439,741,825.94	465,631,059.57
Total	453,908,136.04	497,180,720.55

(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	388,911,077.30	
2021	51,262,939.86	76,719,982.27	
Total	439,741,825.94	465,631,059.57	

17. Other non-current assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	2,776,042.97	
Total	2,776,042.97	

18. Short-term borrowings

Type	Ending balance	Beginning balance
Credit loans	100,000,000.00	17,500,000.00
Total	100,000,000.00	17,500,000.00

As at 31 December 2017, weighted average annual interest rate of short-term borrowings was 1.85%.

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19. Accounts payable

(1) Accounts payable by category

Item	Ending balance	Beginning balance
Materials purchased	61,780,031.99	65,497,384.00
Payment for projects under construction	563,063.32	162,939.14
Balance of product payment	687,549.71	14,359,603.78
Retention money	1,936,196.71	1,947,731.71
Other construction and labour services	1,010,349.05	6,517,496.31
Total	65,977,190.78	88,485,154.94

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

Ageing	Ending balance	Beginning balance
Within one year	51,872,067.37	47,026,673.03
1-2 years	5,424,628.44	18,271,181.53
2-3 years	8,619,438.37	19,135,352.26
Over 3 years	61,056.60	4,051,948.12
Total	65,977,190.78	88,485,154.94

(3) Significant accounts payable aged over one year

Name	Ending balance	Reason for unsettlement or carrying forward
Guangzhou United Steel Structures Limited	11,764,663.84	Undue
Total	11,764,663.84	-

20. Advances from customers

(1) Advances from customers

Item	Ending balance	Beginning balance
Electromechanical and other products	55,310,128.61	77,013,708.94
Total	55,310,128.61	77,013,708.94

(2) Significant advances from customers aged over one year

Name	Ending balance	Reason for unsettlement or carrying forward
Shenzhen Xuneng Power Generation Co., Ltd.	24,337,703.36	Project uncompleted and unsettled
Guangdong Provincial Highway Construction Co., Ltd. Nanhuan Section Branch	3,788,503.25	Project uncompleted and unsettled
Wah-Chang International Marine Industry Company Limited	3,645,240.14	Project uncompleted and unsettled
Qingdao Haier Special Freezer Co., Ltd.	3,119,247.86	Project uncompleted and unsettled
Total	34,890,694.61	-

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

21. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term employee benefits	1,323,940.47	50,931,007.33	50,643,721.57	1,611,226.23
Post-employment benefits – defined contribution plans		4,819,665.85	4,819,665.85	
Total	1,323,940.47	55,750,673.18	55,463,387.42	1,611,226.23

(2) Short-term employee benefits

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Wages or salaries, bonuses, allowances and subsidies	1,228,771.25	30,603,101.68	30,220,646.70	1,611,226.23
Employee benefits		1,846,949.20	1,846,949.20	
Social insurance		2,164,287.45	2,164,287.45	
Including: Medical insurance		1,753,836.19	1,753,836.19	
Work-related injury insurance		192,751.39	192,751.39	
Maternity insurance		217,699.87	217,699.87	
Housing fund		2,593,298.00	2,593,298.00	
Union & employee education funds	95,169.22	857,265.17	952,434.39	
Outsourcing labour costs and other short-term compensation		12,866,105.83	12,866,105.83	
Total	1,323,940.47	50,931,007.33	50,643,721.57	

(3) Defined contribution plans

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

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

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		4,631,753.71	4,631,753.71	
Unemployment insurance		187,912.14	187,912.14	
Total		4,819,665.85	4,819,665.85	

As at 31 December 2017, all planned pension and unemployment insurance contributions of the Company had been made.

22. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	2,220,452.29	1,655,763.81
Individual income tax	543,686.74	514,589.50
Urban maintenance and construction tax	10,262.44	115,903.47
Property tax	970,305.62	807,342.86
Land use tax	358,066.80	315,808.80
Educational surcharge	7,330.32	82,788.20
Others	5,097.22	5,372.32
Total	4,115,201.43	3,497,568.96

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

23. 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	282,638.89	329,274.30
Interest payable on short-term borrowings	56,527.78	9,892.36
Total	339,166.67	339,166.66

24. Dividends payable

Item	Ending balance	Beginning balance
Dividends on ordinary shares	383,540.92	498,004.54
Including: Dividends payable for A shares	145,589.60	341,776.11
Dividends payable for H shares	237,951.32	156,228.43
Total	383,540.92	498,004.54

25. Other payables

(1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	332,360.00	838,360.00
Payable for temporary receipts	29,543,997.49	21,206,919.71
Total	29,876,357.49	22,045,279.71

(2) Significant other payables aged over 1 year

Name	Ending balance	Reason for unsettlement or carrying forward
Foshan Nanhai Yangming Ship Hardware Co., Ltd.	300,000.00	Deposits received
Guangzhou Guangda Yimin Mechanical and Electrical Engineering Services Co., Ltd.	15,000.00	Deposits received
Total	315,000.00	

26. Non-current liabilities due within one year

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

27. Long-term borrowings

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

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From 1 January 2017 to 31 December 2017

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

28. Special payables

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

Note: The above are state funds allocated to the projects, and as the capital investment in the Company from the state, they belong to the state exclusively when the projects have been completed and approved as qualified. Upon increase in the registered capital of the Company, they will be converted into the capital contribution to the Company made by the CSSC Group.

29. Estimated liabilities

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

30. Share capital

The amount is the same as that in the consolidated statements. For details, please see Note VI.40.

31. Capital reserve

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

32. Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	443,829,390.11	10,259,354.91		454,088,745.02
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	462,411,586.54	10,259,354.91		472,670,941.45

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

33. Undistributed profit

Item	Current year	Last year
Ending balance of last year	674,572,834.25	640,322,143.39
Add: Beginning adjustment to undistributed profit		
Beginning balance of the year	674,572,834.25	640,322,143.39
Add: Net profit attributable to owners of the Company for the year	101,570,835.93	85,173,202.44
Other adjustments	920,441.84	
Less: Statutory surplus reserve set aside	10,157,083.59	8,517,320.24
Dividends payable on ordinary shares	22,616,102.05	42,405,191.34
Ending balance of the year	744,290,926.38	674,572,834.25

Note: Other adjustments represented the adjustment to gains or loss required to be recognised for prior years as the Company accounted for long-term equity investment in GSI Yangzhou using the equity method instead.

NOTES TO THE FINANCIAL STATEMENTS

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

34. Net current assets

Item	Ending balance	Beginning balance
Current assets	1,622,822,585.13	346,268,799.58
Less: Current liabilities	757,612,812.13	693,202,824.22
Net current assets	865,209,773.00	-346,934,024.64

35. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	9,635,378,787.06	9,595,534,618.58
Less: Current liabilities	757,612,812.13	693,202,824.22
Total assets less current liabilities	8,877,765,974.93	8,902,331,794.36

36. Borrowings

Details of the borrowings of the Company are as follows:

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

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
–Bank borrowings repayable within 5 years	600,000,000.00	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	600,000,000.00	600,000,000.00

(2) Analysis of maturity of borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

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37. Operating income & Operating costs

Item	Current year	Last year
Income from principal business	156,650,828.19	339,968,177.56
Revenue from other business	3,460,997.33	10,690,508.18
Total	160,111,825.52	350,658,685.74
Costs of principal business	164,764,098.88	333,177,058.77
Costs of other business	2,340,477.92	1,778,752.65
Total	167,104,576.80	334,955,811.42

Gross profit of principal business

Item	Current year	Last year
Income from principal business	156,650,828.19	339,968,177.56
Costs of principal business	164,764,098.88	333,177,058.77
Gross profit	-8,113,270.69	6,791,118.79

Income from building contracts

Item	Current year	Last year
Income from building contracts		171,738,029.86

(1) Principal business – by product

Product name	Current year	Last year
Operating income		
Shipbuilding		171,738,029.86
Electromechanical products and others	156,650,828.19	168,230,147.70
Total	156,650,828.19	339,968,177.56
Operating costs		
Shipbuilding		169,832,413.09
Electromechanical products and others	164,764,098.88	163,344,645.68
Total	164,764,098.88	333,177,058.77

NOTES TO THE FINANCIAL STATEMENTS

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

(2) Principal business – by region

Region	Current year	Last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	156,650,828.19	168,230,147.70
Other regions in Asia		86,704,059.27
Europe		85,033,970.59
Total	156,650,828.19	339,968,177.56
Operating costs		
China (including Hong Kong, Macau and Taiwan)	164,764,098.88	163,344,645.68
Other regions in Asia		85,607,974.71
Europe		84,224,438.38
Total	164,764,098.88	333,177,058.77

(3) Other operating income and other operating costs

Product name	Current year	Last year
Revenue from other business		
Sale of materials		111,362.39
Sales of scrap materials	1,743,558.46	3,271,275.17
Service income		5,593,584.91
Rental income	1,717,438.87	1,714,285.71
Total	3,460,997.33	10,690,508.18
Costs of other business		
Sale of materials		162,934.77
Sales of scrap materials	853,419.77	6,861.10
Service income		121,886.79
Rental income	1,487,058.15	1,487,069.99
Total	2,340,477.92	1,778,752.65

(4) Top five customers by operating income

Customers	Current year	Percentage (%)
Guangzhou Shipyard International Company Limited	48,678,807.63	31.07%
Hainan Xuneng Power Generation Co., Ltd.	14,268,112.82	9.11%
Zhongshan GSI Marine Engineering Company Limited	8,123,255.41	5.19%
Changsha Zehai Electromechanical Equipment Co., Ltd.	4,704,615.35	3.00%
Foshan Shengchuan Machine Tool Co., Ltd.	3,289,615.40	2.10%
Total	79,064,406.61	50.47%

NOTES TO THE FINANCIAL STATEMENTS

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38. Business tax and surcharges

Item	Current year	Last year
Urban maintenance and construction tax	337,671.44	786,416.43
Educational surcharge	241,193.89	561,726.01
Flood control fee	0.00	25,082.48
Property tax	1,186,305.59	862,870.39
Land use tax	358,996.80	239,641.40
Stamp duty	559,202.40	68,826.69
Vehicle usage tax	6,617.28	3,126.88
Total	2,689,987.40	2,547,690.28

39. Selling expense

Item	Current year	Last year
Product quality warranty		11,564,001.87
Transportation fees	2,793,337.18	2,559,867.95
Marketing cost	725,223.69	1,029,007.90
Advertising fee	40,557.58	
Exhibition fees	196,785.84	
Other selling expenses	1,000.00	163,984.38
Total	3,756,904.29	15,316,862.10

40. Administrative expense

Item	Current year	Last year
Employee salaries	10,357,327.00	6,904,710.90
Party building work expense	134,929.25	
Repairing expenses	1,133,195.02	2,409,226.92
Taxation		492,766.99
Depreciation charge	145,032.07	62,768.43
Amortisation of intangible assets	323,303.28	325,075.44
Business entertainment expense	247,999.86	321,500.35
Travelling expense	374,972.82	302,390.55
Intermediary fee	724,007.56	435,391.55
Board meeting fee	3,782,509.21	4,089,212.28
Utilities expense	63,333.74	79,985.01
Office expenses	156,643.84	110,214.45
Lease expenses	148,285.71	197,714.28
Insurance premium	21,598.98	33,390.62
Environmental protection fee		28,228.72
Consulting fee	415,394.34	
Litigation fees	609,833.97	
Information management fee	506,472.82	98,704.40
Others	1,853,492.24	2,862,130.76
Total	20,998,331.71	18,753,411.65

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

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41. Finance cost

(1) Breakdown of finance costs

Item	Current year	Last year
Interest expense	11,889,076.42	12,840,156.23
Less: Interest income	16,193,823.73	17,991,812.26
Add: Exchange losses	-27,958.04	-673,990.70
Add: Other expenses	215,037.32	635,871.11
Total	-4,117,668.03	-5,189,775.62

(2) Breakdown of interest expenses

Item	Current year	Last year
Interest on bank loans and overdraft	11,889,076.42	12,840,156.23
Interest on bank borrowings due within 5 years	11,889,076.42	12,840,156.23
Less: Interest capitalised		
Total	11,889,076.42	12,840,156.23

(3) Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	2,413,636.21	5,151,656.03
Other interest income	13,780,187.52	12,840,156.23
Total	16,193,823.73	17,991,812.26

42. Loss on impairment of assets

Item	Current year	Last year
Loss on bad debts	275,211.31	-8,963,948.24
Loss on impairment of inventories	-5,785,965.60	1,948,291.32
Total	-5,510,754.29	-7,015,656.92

43. Investment income

Item	Current year	Last year
Gain on long-term equity investments accounted for using equity method	825,284.83	
Gain on long-term equity investments accounted for using cost method	28,366,206.89	93,600,910.09
Investment income from disposal of long-term equity investments	76,712,015.61	
Total	105,903,507.33	93,600,910.09

The investment income from non-listed investments for the year amounted to RMB105,903,507.33.

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44. Other income

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Special post-R&D grant for enterprises in Guangzhou for 2016	16,247,400.00		National government subsidy	Relating to revenue
Innovation and development fund for advanced manufacturing industry in Guangzhou for 2017	3,000,000.00		National government subsidy	Relating to assets
Total	19,247,400.00			

45. Non-operating income

(1) Breakdown of non-operating income

Item	Current year	Last year	Amount included in non-recurring gains and losses for current period
Government grants	1,400,000.00	29,700.00	1,400,000.00
Compensation income		115,044.03	
Others	11,197.30	441,089.73	11,197.30
Total	1,411,197.30	585,833.76	1,411,197.30

The amount included in non-recurring gains and losses for the year was RMB1,411,197.30 (Last year: RMB585,833.76).

(2) Breakdown of government grants

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Job stabilization subsidy		29,700.00	Government subsidies	Relating to revenue
Incentive subsidy for contribution to local economic development by headquarters	1,400,000.00			Relating to revenue
Total	1,400,000.00	29,700.00		

46. Non-operating expenses

Item	Current year	Last year	Amount included in non-recurring gains and losses for current period
Total losses on disposal of non-current assets	111,704.48		111,704.48
Including: Loss on disposal of fixed assets	111,704.48		111,704.48
External donations		20,000.00	
Others	70,011.86	147,273.48	70,011.86
Total	181,716.34	167,273.48	181,716.34

The amount included in non-recurring profit and loss for the year was RMB181,716.34 (Last year: RMB167,273.48).

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47. Income tax expense

(1) Income tax expense

Item	Current year	Last year
Current income tax calculated in accordance with the tax law and relevant regulations		
– PRC enterprise income tax		136,610.76
Deferred income tax expenses		
Total		136,610.76

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

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

Item	Current year	Last year
Total consolidated profit for the year	101,570,835.93	85,309,813.20
Income tax expenses calculated at statutory/applicable tax rate	25,392,708.98	21,327,453.30
Impact of different tax rates for subsidiaries		136,610.76
Impact of adjustment for income tax for previous period	-7,297,872.93	-23,400,227.52
Impact of non-taxable income	24,799.99	41,818.37
Impact of non-deductible costs, expenses and losses		
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised		
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	-18,119,636.04	2,030,955.85
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 expense	0.00	136,610.76

48. Depreciation and amortisation

Item	Current year	Last year
Depreciation of fixed assets	7,005,490.82	7,339,120.68
Amortisation of intangible assets	323,303.28	325,075.44
Long-term prepaid expenses	341,322.96	340,661.83
Total	7,670,117.06	8,004,857.95

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

For details, please refer to Note VI.65 Gain (or loss) on disposal of investments or properties.

50. Operating rental expense

Operating rental expense for the year is RMB148,285.71 (Last year: RMB197,714.28).

51. Rental income

Operating rental income for the year is RMB1,717,438.87 (Last year: RMB1,714,285.71), including rental income from land and buildings of RMB1,717,438.87 (Last year: RMB1,714,285.71)

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52. 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 year	Last year
Raw materials consumed	55,848,263.10	64,565,227.50
Employee compensation expenses	45,922,380.58	74,917,170.53
Depreciation expenses	7,005,490.82	7,339,120.68
Amortisation expenses	664,626.24	665,737.27
Shipbuilding fee		191,676,080.77
Utilities fee	4,462,852.53	6,865,699.70
Taxes and surcharges	2,689,987.40	492,766.99
Others	75,266,212.13	22,504,281.73
Total	191,859,812.80	369,026,085.17

53. Notes to items in the cash flow statement

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

1) Other cash receipts relating to operating activities

Item	Current year	Last year
Government grants	20,664,200.00	29,700.00
Other non-operating income	11,197.30	556,133.76
Receipt/recovery of deposit and margin	2,000,000.00	
Interest income from demand bank deposit	1,717,226.52	1,664,559.37
Other current account	11,798,912.33	24,219,317.17
Shipbuilding payment received	48,770,000.00	
Total	84,961,536.15	26,469,710.30

2) Other cash payments relating to operating activities

Item	Current year	Last year
Administrative expense	10,172,669.36	10,968,089.89
Selling expense	3,756,904.29	3,752,860.23
Bank charges	215,037.36	635,871.11
Non-operating expenses	70,011.86	167,273.48
Deposit and margin paid	2,000,000.00	838,360.00
Reserve funds	8,584,838.57	3,017,795.89
Payment of other current accounts	52,770,000.00	22,806,816.22
Total	77,569,461.44	42,187,066.82

3) Other cash receipts relating to investing activities

Item	Current year	Last year
Release of pledge on fixed deposits	30,000,000.00	1,001,640,000.00
Interest income on fixed deposits	585,000.00	31,848,969.20
Collection of loans made and settled on a consolidated basis	500,000,000.00	155,000,000.00
Collection of interest on loans made and settled on a consolidated basis and interest on entrusted loans	13,479,076.41	
Total	544,064,076.41	1,188,488,969.20

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4) Other cash payments relating to investing activities

Item	Current year	Last year
Pledge of fixed deposit		30,000,000.00
Payment of loans to subsidiaries made and settled on a consolidated basis	500,000,000.00	87,500,000.00
Grant of entrusted loans to subsidiaries	320,000,000.00	
Total	820,000,000.00	117,500,000.00

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

Item	Current year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	101,570,835.93	85,173,202.44
Add: Provision for impairment of assets	-5,510,754.29	-7,015,656.92
Depreciation of fixed assets	7,005,490.82	7,339,120.68
Amortisation of intangible assets	323,303.28	325,075.44
Amortisation of long-term prepaid expenses	341,322.96	340,661.83
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")	111,704.48	
Loss on retirement of fixed assets (Gain expressed with "-")		
Loss on changes in fair value (Gain expressed with "-")		
Finance cost (Gain expressed with "-")	-757,517.39	-19,682,803.67
Loss on investments (Gain expressed with "-")	-105,903,507.33	-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 "-")	20,087,371.83	413,746,253.84
Decrease in operating receivables (Increase expressed with "-")	20,611,916.54	18,076,816.46
Increase in operating payables (Decrease expressed with "-")	-41,167,043.85	-715,181,883.26
Others		
Net cash flows from operating activities	-3,286,877.02	-310,480,123.25
2. Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents:		
Cash balance at the end of the year	513,258,307.19	88,028,234.52
Less: Cash balance at the beginning of the year	88,028,234.52	2,724,187,025.99
Add: Balance of cash equivalents at the end of the year		
Less: Balance of cash equivalents at the year beginning of the year		
Net increase in cash and cash equivalents	425,230,072.67	-2,636,158,791.47

(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	513,258,307.19	88,028,234.52
Including: Cash on hand	2,255.54	1,645.27
Bank deposits available for use on demand	513,256,051.65	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	513,258,307.19	88,028,234.52
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

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

XVIII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 29 March 2018.

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 2017 were as follows:

Item	Current year	Explanation
Gain or loss on disposal of non-current assets	-2,270,814.27	
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	144,268,243.87	
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 assets under management	64,625,451.49	
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 financial assets held-for-trading and 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	11,450,439.60	
Reversal of the provision for impairment of 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	849,352,673.89	
Other gain or loss items meeting the definition of non-recurring gains or losses	74,229,303.45	
Sub-total	1,141,655,298.03	
Effect of income tax	-16,925,374.51	
Effect of minority interests (after tax)	-688,182.25	
Total	1,124,041,741.27	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017
(Amounts expressed in RMB unless otherwise stated in the notes to the financial statements)

(2) Notes to the “Other gain or loss items meeting the definition of non-recurring gains or losses” and the non-recurring gain or loss items designated by the Company as recurring items based on the natures and features of its operation.

1) Other gain or loss items meeting the definition of non-recurring gains or losses

Item	Amount	Reason
Gain on disposal of long-term equity investments	74,229,303.45	Non-recurring and in special nature
Total	74,229,303.45	

2) Items defined as recurring gains or losses

Item	Amount	Reason
Subsidies for Insurance Premium for the First Piece (Set) of Crucial High-Tech Equipment	87,470,000.00	Note
Interest subsidy	45,070,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Immediately refunded value-added tax for software revenue	1,435,301.70	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	133,975,301.70	

Note: The Subsidies for Insurance Premium for the First Piece (Set) of Crucial High-Tech Equipment represent government grant closely related to the equipment manufactured by the Company and are only granted after the Company has maintained “Comprehensive insurance”, and the amount of subsidies is directly related to the insurance premium expense of the Company for “Comprehensive insurance”. All the aforesaid government grants are closely relating to the normal operation of the Company, subject to national policies and granted at fixed amount and on a continuous basis, and fall under non-recurring gains or losses in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public.

2. Returns on net assets and earnings per share

In accordance with the Explanatory Announcement No. 9 on Information Disclosure for Companies Offering Their Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings Per Share (2010 revision), the weighted average return on equity, basic earnings per share and diluted earnings per share of the Group for 2016 were as follows:

Profit for the Reporting Period	Weighted average return on equity (%)	Earnings per share	
		Diluted earnings per share	Basic earnings per share
Net profit attributable to shareholders of the Company	0.84	0.0621	0.0621
Net profit attributable to shareholders of the Company, net of exceptional items	-9.97	-0.7331	-0.7331

3. Abnormal issues and explanations

Assets	Note	Ending balance	Beginning balance	Change	Percentage of change
Financial assets at fair value through profit or loss	Note 1	6,602,255.91		6,602,255.91	-
Interest receivable	Note 2	46,434,534.12	138,243,843.26	-91,809,309.14	-66.41%
Other receivables	Note 3	129,376,288.79	72,448,156.82	56,928,131.97	78.58%
Long-term equity investments	Note 4	738,018,660.57	68,961,676.66	669,056,983.91	970.19%
Disposal of fixed assets	Note 5	31,132.31	2,572,359.05	-2,541,226.74	-98.79%
Other non-current assets	Note 6	199,020,072.23	1,001,361,563.30	-802,341,491.07	-80.13%

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

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

- Note 1: Financial assets at fair value through profit or loss increased by RMB6,602,300 from the beginning of the year, mainly because foreign exchange forward contracts/swap contracts were entered into during the year, and their fair values were determined based on agreed exchange rates/forward exchange rates;
- Note 2: Interest receivable decreased by 66.41% from the beginning of the year, mainly due to the decrease in interest from fixed deposits and recovery of interest through settlement of certain wealth management products;
- Note 3: Other receivables increased by 78.58% from the beginning of the year, mainly due to the increase in performance bonds and export tax rebates receivable;
- Note 4: Long-term equity investments increased by 970.19% from the beginning of the year, mainly due to the disposal of 51% equity interest in GSI Yangzhou during the year, and the remaining equity interest was subsequently accounted for using equity method. For details, please refer to Note VI.13 Long-term equity investments;
- Note 5: Disposal of fixed assets decreased by 98.79% from the beginning of the year, mainly due to the reclassification of relocation expenses to be written off to "Other non-current assets";
- Note 6: Other non-current assets decreased by 80.13% from the beginning of the year, mainly due to the reclassification of entrusted wealth management products due within one year to "Other non-current assets";

Liabilities and equity	Note	Ending balance	Beginning balance	Change	Percentage of change
Short-term borrowings	Note 7	2,675,414,975.00	445,636,500.54	2,229,778,474.46	500.36%
Financial liabilities at fair value through profit or loss	Note 8	3,366,294.31		3,366,294.31	–
Employee benefits payable	Note 9	32,198,622.63	59,354,143.31	–27,155,520.68	–45.75%
Taxes payable	Note 10	72,479,741.43	127,111,097.76	–54,631,356.33	–42.98%
Dividends payable	Note 11	383,540.92	3,806,004.54	–3,422,463.62	–89.92%
Other payables	Note 12	234,291,737.22	358,190,436.06	–123,898,698.84	–34.59%
Other current liabilities	Note 13	5,544,483,602.13	8,814,232,495.28	–3,269,748,893.15	–37.10%
Special payables	Note 14	99,370,000.00	1,390,339,744.58	–1,290,969,744.58	–92.85%
Deferred income	Note 15	31,895,704.27	67,514,328.51	–35,618,624.24	–52.76%
Deferred tax liabilities	Note 16	1,412,563.62	499,094.19	913,469.43	183.03%
Special reserve	Note 17	2,010,677.96	929,231.60	1,081,446.36	116.38%
Minority interests	Note 14	1,531,599,209.58	62,996,345.75	1,468,602,863.83	2331.25%

- Note 7: Short-term borrowings increased by 500.36% from the beginning of the year, mainly due to the short-term borrowings obtained in the year;
- Note 8: Financial liabilities at fair value through profit or loss increased by RMB3,366,300 from the beginning of the year, mainly because foreign exchange forward contracts/swap contracts were entered into during the year, and their fair values were determined based on agreed exchange rates/forward exchange rates;
- Note 9: Employee benefits payable decreased by 45.75% from the beginning of the year, mainly due to the decrease in outstanding balance of salaries as at the end of the year;
- Note 10: Taxes payable decreased by 42.98% from the beginning of the year, mainly due to the decrease in outstanding balance of enterprise income tax, value-added tax and individual income tax as at the end of the year;
- Note 11: Dividends payable decreased by 89.92% from the beginning of the year, mainly because dividend payable to minority interests as at the end of last year was paid during the year;
- Note 12: Other payables decreased by 34.59% from the beginning of the year, mainly due to the decrease in deposits;
- Note 13: Other current liabilities decreased by 37.1% from the beginning of the year, mainly due to the decrease in project settlement payment under building contracts;
- Note 14: Special payables decreased by 92.85% and minority interests increased by 2,331.25% from the beginning of the year, mainly because the state grants for completed and accepted projects of Huangpu Wenchong and GSI, both subsidiaries of the Company, were transferred to capital reserve of CSSC, which were included in "minority interests" in these financial statements;
- Note 15: Deferred income decreased by 52.76% from the beginning of the year, mainly due to the transfer of government grants to current profit or loss based on project progress;
- Note 16: Deferred tax liabilities increased by 183.03% from the beginning of the year, mainly due to the increase in deferred income tax liabilities recognised arising from changes in fair values of financial assets at fair value through profit or loss;

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Note 17: Special reserve increased by 116.38% from the beginning of the year, mainly due to the increase in the balance of provision for production safety fee made during the year;

Income/expense	Note	Current year	Last year	Change	Percentage of change
Selling expense	Note 18	195,604,950.61	116,743,820.71	78,861,129.90	67.55%
Finance cost	Note 19	528,776,547.46	-17,946,547.67	546,723,095.13	-
Gain on change in fair value	Note 20	3,235,961.60	168,178,506.59	-164,942,544.99	-98.08%
Investment income	Note 21	147,443,555.81	-48,371,480.29	195,815,036.10	-
Other income	Note 22	38,794,966.24		38,794,966.24	-
Non-operating income	Note 23	864,049,578.41	216,170,412.85	647,879,165.56	299.71%
Non-operating expenses	Note 24	5,131,442.86	78,673,400.06	-73,541,957.20	-93.48%
Income tax expense	Note 25	67,842,358.71	32,746,647.37	35,095,711.34	107.17%

Note 18: Selling expenses increased by 67.55% from last year, mainly because the warranty period of a large number of ships expired last year, resulting in large amount of warranty balance;

Note 19: Finance costs increased by RMB547 million from last year, mainly due to an increase in exchange loss as a result of the change in exchange rate and a decrease in interest income from existing funds;

Note 20: Gain on change in fair value decreased by 98.08% from last year, mainly due to the large number of forward exchange contracts in last year;

Note 21: Investment income increased by RMB195 million from last year, mainly due to the income from forward exchange contracts closed in the year and the increase in the gain on disposal of equity interest in GSI Yangzhou;

Note 22: Other income increased by RMB38,795,000 from last year, mainly because government grants relating to operation were presented in "other income" for 2017 in accordance with the "China Accounting Standards for Business Enterprises No. 16 – Government Grant", which is newly revised by the Ministry of Finance;

Note 23: Non-operating income increased by 299.71% from last year, mainly due to the receipt of compensation for GSI land of RMB826 million. For details, please refer to Note VI.59.(3) Description of land compensation for GSI;

Note 24: Non-operating expenses decreased by 93.48% from last year, mainly due to increase in estimated liabilities of RMB66 million;

Note 25: Income tax expenses increased by 107.17% from last year, mainly due to the increase in deferred tax expenses.

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

29 March 2018