



中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

H Stock Code: 00317 A Stock Code: 600685

Interim Report
2018

IMPORTANT NOTES

1. The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm that information contained in this interim report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
2. All Directors of the Company attended the eighth meeting of the ninth session of the Board held on 23 August 2018. The 2018 interim report was unanimously approved at the meeting.
3. The financial information contained in the interim report is unaudited. The audit committee of the Company has reviewed and approved the interim results and financial report of the Company for the period ended 30 June 2018.
4. 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 trueness, accuracy and completeness of the financial statements contained in this interim report.
5. The Company will not make profit distribution or issue new bonus shares by conversion of capital reserve for the first half of 2018.
6. This interim report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.
7. No controlling shareholder or related party of the Company has misappropriated funds of the Company and no guarantee has been provided by the Company in violation of the required decision-making procedures.
8. The relevant risks which might exist have been described in this report in details, please refer to Section IV Management Discussion and Analysis for the risks that might face the Company.
9. This interim report is prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

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SECTION I DEFINITIONS

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 Holding	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 69.02%-owned subsidiary of the Company
GSI	Guangzhou Shipyard International Company Limited, a 76.42%-owned subsidiary of the Company
Liner Technology	CSSC Liner Technology Development Co., Ltd., a company owned as to 1.518% by GSI
Chengxi Yangzhou	CSSC Chengxi Yangzhou Shipbuilding Company Limited, a company owned as to 49% by the Company
Wenchong Shipyard	Guangzhou Wenchong Shipyard Co., Ltd, a wholly-owned subsidiary of Huangpu Wenchong
Huangchuan Ocean Engineering	Guangzhou Huangchuan Ocean Engineering 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
Longxue Pipe	Guangzhou Longxue Pipe Co., Ltd., a 42.86%-owned subsidiary of GSI
Wenchuan Heavy Industrial	Guangzhou Wenchong 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

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Authorised Securities Representative
Name	Li Zhidong	Yu Wenbo
Contact address	40 South Fangcun Main Road, Liwán District, Guangzhou City, the People's Republic of China	40 South Fangcun Main Road, Liwán 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, Liwán District, Guangzhou City, the People's Republic of China
Postal code	510382
Office address of the Company	40 South Fangcun Main Road, Liwán 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. CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BASIC INFORMATION OF THE SHARES OF THE COMPANY

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

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE COMPANY

(i) Major accounting figures

Unit: Yuan Currency: RMB

Major accounting figures	Reporting Period	Corresponding period of last year		Change (%)
	(From January to June)	After adjustment	Before adjustment	
Operating income	8,219,935,619.41	10,417,531,197.45	10,417,531,197.45	-21.10
Net profit attributable to shareholders of the Company	-294,982,112.04	43,972,225.89	43,972,225.89	-770.84
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-484,093,600.23	-18,554,794.39	-18,554,794.39	Not applicable
Net cash flows from operating activities	-2,523,805,949.33	-3,772,268,540.51	-3,772,268,540.51	Not applicable
	As at the end of the Reporting Period	As at the end of last year	Before adjustment	Change (%)
Net assets attributable to shareholders of the Company	11,312,169,015.17	10,403,863,300.44	10,414,542,658.54	8.73
Total assets	44,949,455,570.71	44,728,953,320.94	44,157,662,027.63	0.49

As a result of the adoption of the Accounting Standard for Business Enterprises No. 14 – Revenue (Amendment), the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Amendment), the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets (Amendment), the Accounting Standard for Business Enterprises No. 24 – Hedging Accounting (Amendment), and the Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (Amendment) (the “New Standards for Revenue and Financial Instruments”) in 2018, the opening balances of certain items in the balance sheet were adjusted retrospectively, of which inventories decreased by RMB5,764,483,485.18; contract assets increased by RMB6,312,042,836.23; available-for-sale financial assets decreased by RMB21,029,995.04; investment in other equity instruments increased by RMB44,726,104.08; deferred tax assets increased by RMB35,833.22; advances from customers decreased by RMB650,869,010.03; contract liabilities increased by RMB6,420,311,531.98; other current liabilities decreased by RMB5,407,233,010.85; estimated liabilities increased by RMB213,765,630.11; deferred tax liabilities increased by RMB5,995,510.20; other comprehensive income increased by RMB17,736,432.06; and undistributed profit decreased by RMB28,415,790.16.

(ii) Key financial indicators

Key financial indicators	Reporting Period	Corresponding period of last year		Change (%)
	(From January to June)	After adjustment	Before adjustment	
Basic earnings per share (RMB/share)	-0.2087	0.0311	0.0311	-771.06
Diluted earnings per share (RMB/share)	-0.2087	0.0311	0.0311	-771.06
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.3425	-0.0131	-0.0131	Not applicable
Weighted average return on equity (%)	-2.67	0.42	0.42	Decrease of 3.09 percentage points
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-4.38	-0.18	-0.18	Decrease of 4.20 percentage points

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. EXTRAORDINARY ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary items	Amount	Note (where applicable)
Gain or loss on disposal of non-current assets	-783,194.09	
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	15,824,955.60	
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	25,683,820.27	
Provision for impairment on assets due to force majeure events, such as natural disasters	-	
Gain or loss on debt restructuring	-	
Corporate restructuring costs, such as employee relocation expenses and integration costs	-	
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	-	
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	-221,968,289.98	
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	505,844,283.19	Mainly net income from compensation for relocation during the period
Other gain or loss items meeting the definition of non-recurring gains or losses	-	
Effect of minority interests	-51,172,489.59	
Effect of income tax	-84,317,597.21	
Total	189,111,488.19	

SECTION III BUSINESS OVERVIEW OF THE COMPANY

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

(i) Principal activities of the Company

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 defense 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.

(ii) 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.

(iii) Analysis of factors driving change in business revenue

During the Reporting Period, the Group recorded operating income of RMB8,220 million, representing a decrease of 21.10% compared with the corresponding period of last year, mainly due to factors such as the decrease in the number of orders as a result of the previously sluggish shipbuilding market and the relocation and consolidation of the Nansha Plant, etc.. In 2018, due to the recovery of the market, the Group recorded strong performance in shipbuilding orders obtained, which amounted to RMB16,925 million, representing an increase of 215% compared with the corresponding period of last year.

II. EXPLANATION FOR MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

GSI and Huangpu Wenchong, both subsidiaries of the Company, implemented market-based debt-to-equity conversion 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 general 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).

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, the Group's core competitiveness covered four major areas, being product advantage, technological advantage, brand advantage and market advantage. There were no material changes in the core competitiveness compared to the end of 2017.

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

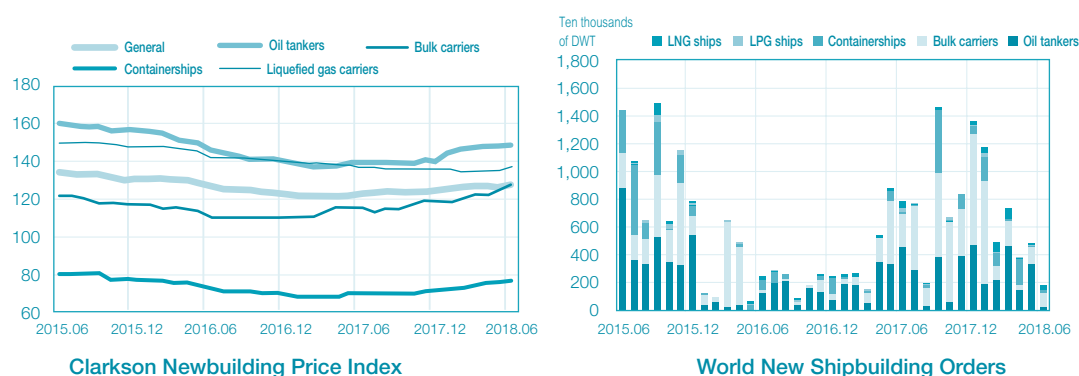
I. MANAGEMENT DISCUSSION AND ANALYSIS

Development of the shipbuilding market in the first half of 2018

New shipbuilding orders maintained growth. In the first half of 2018, the shipping market remained steady and grew. This, together with the market opportunities created by the new regulations on environmental protection, the widening of the Panama Canal and the increase in the energy export of North America, resulted in the global new shipbuilding orders amounting to 468 ships with 35.25 million DWT, representing an increase of 17.4% compared with the corresponding period of last year.

The prices of new ships continued to rise steadily. On one hand, the prices of raw materials such as steel and labour costs continued to rise, resulting in higher shipbuilding costs. On the other hand, the order book of key shipbuilders in the world had been somehow replenished, and shipbuilders became less willing to compete for shipbuilding orders at extremely low prices, and the balance between the supply and demand in the shipbuilding market has improved. In the first half of 2018, the prices of new ships continued to pick up from the bottom in the second quarter of last year. As at the end of June 2018, the ClarkSea Index rose to 128 points, 3 points higher than that at the beginning of the year, and the China Newbuilding Price Index rose to 1,095 points, 70 points higher than that at the beginning of the year.

Market trend



Operation of the Group

During the Reporting Period, the Group secured new shipbuilding orders with contract value of RMB16,925 million, representing an increase of 215% compared with the corresponding period of last year; operating income of the Group prepared in accordance with the Accounting Standards for Business Enterprises amounted to RMB8,220 million, representing a decrease of 21.10% compared with the corresponding period of last year. Net profit attributable to the shareholders of the Company amounted to RMB-295 million. Earnings per share were RMB-0.2087, and earnings per share after deduction of non-recurring gains and losses were RMB-0.3425.

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

(i) Analysis of principal business

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

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	8,219,935,619.41	10,417,531,197.45	-21.10
Operating costs	8,139,908,389.00	9,569,573,977.38	-14.94
Selling expenses	27,945,686.04	82,600,434.36	-66.17
Administrative expenses	359,944,871.91	376,333,475.94	-4.35
Finance cost	63,129,150.76	198,463,829.73	-68.19
Net cash flows from operating activities	-2,523,805,949.33	-3,772,268,540.51	Not applicable
Net cash flows from investing activities	-1,327,994,034.47	727,282,825.52	-282.60
Net cash flows from financing activities	-206,622,871.98	-228,287,001.59	Not applicable
Research and development expense	195,617,865.61	178,644,952.31	9.50

Reason for change in operating income: factors such as the decrease in the number of orders as a result of the previously sluggish shipbuilding market and the relocation and consolidation of the Nansha Plant, etc.

Reason for change in operating costs: factors such as the decrease in the number of orders as a result of the previously sluggish shipbuilding market and the relocation and consolidation of the Nansha Plant, etc.

Reason for change in selling expenses: mainly due to the reversal of provision for warranty expenses during the period.

Reason for change in administrative expenses: mainly due to the decrease in rental fees, repair expenses and remuneration.

Reason for change in finance cost: mainly due to the decrease in interest expenses and net exchange loss during the period.

Reason for change in net cash flow from operating activities: mainly due to the year-on-year decrease in the payment for materials and equipment.

Reason for change in net cash flow from investing activities: mainly due to the fixed deposits over three months during the period.

Reason for change in net cash flow from financing activities: the repayment of borrowings following introduction of investors for the subsidiaries of the Company, resulting in the decrease in interest expenses.

Reason for change in research and development expense: the strengthening of technical research and development during the period.

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

2 Others

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

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)	Reason for change
Selling expenses	27,945,686.04	82,600,434.36	-66.17	Reversal of provision for warranty expenses during the period
Finance cost	63,129,150.76	198,463,829.73	-68.19	Decrease in interest expenses and net exchange loss during the period
Loss on impairment of assets	80,048,917.97	18,310,217.17	337.18	Increase in the provision for expected contractual loss made during the period
Credit impairment loss	11,086,333.77	-4,003,144.53	Not applicable	Increase in the provision for loss on bad debts made during the period
Other income	5,142,870.30	20,209,210.99	-74.55	Decrease in government grants received during the period
Gain on change in fair value	-221,420,289.98	-655,224.92	Not applicable	More forward exchange contracts were entered into and wider fluctuation in exchange rate during the year
Non-operating income	564,253,482.08	22,812,890.90	2,373.40	Recognition of net income from compensation for relocation during the period
Non-operating expenses	57,365,100.00	977,913.09	5,766.07	Settlement of arbitration in relation to Huangpu Wenchong, a subsidiary of the Company
Income tax expense	-32,894,664.43	11,111,662.08	-396.04	Decrease in deferred income tax expenses
Gain or loss attributable to minority interests	-42,527,459.45	7,983,770.85	-632.67	Introduction of new shareholders for subsidiaries
Other comprehensive income	-2,300,574.80	213,038.28	-1,179.89	Designation of investments in equity instruments not held-for-trading as financial assets at fair value through changes in other comprehensive income as a result of the adoption of the New Standards for Financial Instruments

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

On 9 November 2015, GSI and Guangzhou Shipyard Shipping, both subsidiaries of the Company, entered into the Agreement in relation to Compensation to GSI for Assets Relocation (for details, please refer to the announcements of the Company dated 16 December 2015 and 17 December 2015 headed "Announcement of CSSC Offshore & Marine Engineering (Group) Company Limited on the Progress of Connected Transaction in relation to the Public Listing for Sale of 100% Equity Interest in Guangzhou Shipyard Shipping Co., Ltd." and "Supplemental Announcement on the Progress of Connected Transaction in relation to the Public Listing for Sale of 100% Equity Interest in Guangzhou Shipyard Shipping Co., Ltd.", respectively, published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk). Pursuant to the agreement, GSI recognised income from compensation for assets relocation of RMB1,055 million (discounted) during the Reporting Period, and net gain after deducting of relocation expenses amounted to RMB554 Million, which contributed revenue from non-principal business of RMB554 million to the Company during the Reporting Period.

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

(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 held-for-trading	11,802,666.85	0.03	6,602,255.91	0.01	78.77	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 at the end of the period
Prepayments	3,318,755,708.93	7.38	2,475,182,224.91	5.53	34.08	Increase in the prepayments for materials and equipment
Other receivables	229,427,780.16	0.51	175,810,822.91	0.39	30.50	Increase in refundable deposit paid
Non-current assets due within one year	361,669,828.88	0.80	1,033,143,116.08	2.31	-64.99	Settlement of entrusted wealth management products
Long-term receivables	1,558,548,222.38	3.47	460,059,537.09	1.03	238.77	Compensation for relocation recognised during the period
Other non-current financial assets	70,000,000.00	0.16	-	-	Not applicable	Entrusted wealth management products due after one year
Other non-current assets	2,894,563.48	0.01	199,020,072.23	0.44	-98.55	Carrying forward of relocation expenses to current profit or loss
Financial liabilities held-for-trading	229,986,995.23	0.51	3,366,294.31	0.01	6,732.05	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 at the end of the period
Non-current liabilities due within one year	3,127,000,000.00	6.96	4,482,400,000.00	10.02	-30.24	Repayment of borrowings
Other current liabilities	49,189,633.07	0.11	137,250,591.28	0.31	-64.16	No commercial acceptance bills endorsed and undue during the period
Long-term borrowings	4,450,757,000.00	9.90	8,142,857,000.00	18.20	-45.34	Repayment of borrowings
Deferred income	86,947,154.63	0.19	31,895,704.27	0.07	172.60	Increase in government grant received during the year
Minority interests	5,156,413,044.37	11.47	1,531,599,209.58	3.42	236.67	Introduction of new shareholders for subsidiaries

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

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/letters of credit/forward contracts and term deposits with maturity of over 3 months amounting to RMB2,206,489,292.58 in total.

(iv) Analysis of investments

1. General analysis of external equity investments

As at the end of the Reporting Period, the balance of external equity investments made by the Group amounted to RMB765,206,400, representing an increase of 3.68% from RMB738,018,700 as at the beginning of the year.

(1) Financial assets measured at fair value

The Group's financial assets measured at fair value include financial assets held-for-trading such as forward foreign exchange settlement, swap and option contracts, as well as investments in other equity instruments. In particular, for financial assets held-for-trading, at measurement date, the public quotations from 3 banks before adjustment were obtained. According to prudence principle, one quotation is chosen to be input value. The debt rate published by The People's Bank of China (the "PBC") is chosen to be discount rate (please refer to the notes to the financial statements in this report for details). For investments in other equity instruments, the shares held in listed companies were measured at their closing market prices, and those without public market quotations were measured using valuation techniques.

Unit: Yuan Currency: RMB

Name of item	Balance at beginning of the period	Balance as at the end of the period	Change for the period	Amount of impact on profit for the period
Financial assets held-for-trading	6,602,255.91	11,802,666.85	5,200,410.94	5,200,410.94
Financial liabilities held-for-trading	-3,366,294.31	-229,986,995.23	-226,620,700.92	-227,168,700.92
Investments in other equity instruments	44,726,104.08	42,131,036.85	-2,595,067.23	
Total	47,962,065.68	-176,053,291.53	-224,015,357.21	-221,968,289.98

Description:

(i) 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 period, the Group had a total of 59 outstanding forward settlement foreign exchange contracts with total amount of US\$747.58 million and latest settlement date of 24 December 2020, and recognised gain on change in fair value of RMB-78,395,400 as at the end of the period; the Group had a total of 10 outstanding exchange swap contracts with total amount of US\$90.2 million and latest settlement date of 29 March 2019, and recognised gain on change in fair value of RMB1,222,300 as at the end of the period; the Group had a total of 116 outstanding option portfolios with total amount of US\$1,414.5 million and latest settlement date of 26 June 2020, and recognised gain on change of fair value of RMB-141,011,300 as at the end of the period.

(ii) As at the end of the Reporting Period, the cost of investment in other equity instruments was RMB18,295,500, and their fair value was RMB42,131,000, which had no impact on the profit for the current period.

As at the end of the Reporting Period, the impact of the financial assets measured at fair value held by the Group on profit for the period amounted to RMB-221,968,300.

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

(v) 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	855,697	76.42	2,092,925	830,585	1,668
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	285,990	69.02	1,978,685	666,952	-30,799
Nanfeng 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	23,120	9,915	-740
CSSC Chengxi Yangzhou Shipbuilding Company Limited	Manufacturing of ships, ship equipment, metal structures and electric motors	130,284	49	142,997	130,837	25

Description:

- (1) GSI and Huangpu Wenchong, both subsidiaries of the Company, implemented market-based debt-to-equity conversion through introducing new shareholders. The business change of GSI and Huangpu Wenchong was completed on 24 February 2018. Following completion of the 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 general 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).
- (2) During the Reporting Period, the Company made contribution of RMB30 million into the registered capital of Nanfang Environment Co., Ltd., which had a total paid-in registered capital of RMB60 million as at the end of June 2018.

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

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	10,767	6,467	18
Zhongshan GSI Marine Engineering Company Limited	Designing, processing, installing, manufacturing and selling: ships and auxiliaries (fishing use excluded), metal structures and components, general machines, cast and forged components, fiberglass, marine cables, marine pipelines, marine tools, furniture, mechanical equipment, and marine engineering equipment, import and export of goods and technology.	70,000	100	85,961	40,415	147
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Providing labor services, as well as installation, welding, derusting, and painting of ships	500	100	5,374	932	165
Guangzhou Hongfan Computer Technology Co., Ltd.	Development of computer software, system integration, and hardware sales, etc.	500	51	3,657	3,559	37
Guangzhou Xingshun Marine Services Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	200	100	257	255	28
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	26,943	12,271	67
Guangzhou United Steel Structures Limited	Large steel structures	US\$8.85 million	100	36,189	15,571	240
Glory Group Development Limited	Trading	HK\$30 million	100	14,887	10,313	2,002
Forkwang Development Limited	General trading	HK\$200,000	80	12,111	5,843	-105
Guangzhou Hongfan Hotel Co., Ltd.	Tourism and catering	11,940	100	14,322	12,095	43
Guangzhou Longxue Pipe Co., Ltd.	Ferrous metal smelting and rolling industry	7,000	42.86	10,438	5,612	-2
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	62017.84	100	476,142	67,574	-432
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	6,800	100	40,314	1,912	-4,862
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	11,000	100	54,094	10,585	312
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	80.5	418	357	40

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

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 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	1,050	378	18
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	1,002	278	-29
Wah Shun International Marine Limited	Ship sales and leasing	HK\$1,000,000	99	18,818	130	46
Wah Loong International Marine Limited	Ship sales and leasing	HK\$1,000,000	99	13,476	478	392
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	584	511	0
CSSC (Guangzhou) New Energy Co., Ltd.	New energy investment; new energy technology development and application; new energy engineering design and installation; new energy consulting; new energy research and development, technology promotion services, technical consulting, technology transfer; development and sales of new energy products and accessories development; etc.	1,800	40	163	137	-106

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	369,641	-5,697	-30,799
Guangzhou Shipyard International Company Limited	266,243	-3,271	1,668
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	12,505	-3,646	-4,862

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	Current period	Net profit of Corresponding period of last year	Change (%)
CSSC Huangpu Wenchong Shipbuilding Company Limited	-30,799	4,223	-829.32
Guangzhou Shipyard International Company Limited	1,668	-1,580	Not applicable
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	-4,862	83	-5,957.83

II. OTHER DISCLOSURE

(i) Potential risks

1. Financial risks

- (1) Exchange rate risk: The Group's foreign currency orders are mostly denominated in US dollars, and some domestic ship orders are also denominated in US dollars and settled in Renminbi. Since 2018, the exchange rate of Renminbi against US dollars increased first and then decreased. In general, there is still room for the deprecation of Renminbi against US dollars in the short term due to the trade frictions between China and the United States. In the long term, there will not be continuous significant depreciation of Renminbi. The fluctuations of Renminbi in both ways will become more frequent and the degree of fluctuations will be further extended, and the Company will be exposed to risk in exchange rate fluctuations. Based on its estimated cost and exchange rates for export shipbuilding orders, the Group will continue to adopt effective measures in view of the changes in market exchange rate and prevent exchange risk through forward foreign settlement, currency swaps 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

Amid continuous downturn of global economy and the absence of recovery of the shipbuilding market, certain ship owners may be in financial difficulty and may cancel orders, abandon ships, delay the confirmation of delivery and payment or revise the contracts. As such, there is risk of default for certain orders on hand of the Company.

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, the Group has a growing demand for advanced technicians and skilled workers, which poses a risk of increase in labour costs. In addition, the Group conducts manufacturing on an order basis, and the progress of acceptance of ships by customers will affect the orderly advancement of its production. The risk of cost control increases when the Group's production efficiency decreases.

The Group will prevent cost risk from the source of production and design through improved management, cost control with quality and efficiency to boost performance.

SECTION V SIGNIFICANT EVENTS

I. INFORMATION ON GENERAL MEETINGS

No. of session	Date of meeting	Index for details on websites designated for publishing resolutions	Date of disclosure
First extraordinary general meeting of 2018	12 February 2018	www.see.com.cn www.hkexnews.hk comec.cssc.net.cn	13 February 2018
Annual general meeting of 2017	29 May 2018	www.see.com.cn www.hkexnews.hk comec.cssc.net.cn	30 May 2018

Description of general meetings

1. First extraordinary general meeting of 2018: at the meeting, the resolution on the increase in the capital of Guangzhou Shipyard International Company Limited, the resolution on the increase in the capital of CSSC Huangpu Wenchong Shipbuilding Company Limited, the resolution on the election of Directors, the resolution on the election of independent supervisors and the resolution on the election of supervisors were considered.
2. Annual general meeting of 2017: at the meeting, the report of the Board for 2017, the report of the Supervisory Committee for 2017, the annual report for 2017 (including the financial statements for 2017), the profit distribution proposal for 2017 and the resolution on the proposed provision of guarantee by the Company and its subsidiaries for 2018 and the amount, and the resolution in relation to the appointment of the auditors of the Company for financial reports for 2018 were considered; and the duty performance report of independent Directors for 2017 was listened to.

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

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

Whether or not distribution or conversion into share capital	No
Number of bonus shares to be distributed for every ten shares (share)	-
Amount to be distributed for every ten shares (RMB) (tax inclusive)	-
Number of shares to be converted into share capital for every ten shares (share)	-
Description of the plan for profit distribution or conversion of capital reserve into share capital	-

III. FULFILLMENT OF UNDERTAKINGS

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

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner
Undertaking relating to the material asset reorganisation	Solving the issues concerning competition in the same industry	CSSC	1. CSSC will, within 5 years upon the completion of this re-organization, be restructured and integrated through asset re-organization, equity merger and acquisition, business combination that comply with laws, regulations and to the benefits of listed companies and the shareholders, to eliminate the competition in the same industry. 2. CSSC will not, and will prevent and avoid that CSSC controlled enterprises (excluding COMEC and the subsidiaries under its control). 3. If CSSC violates 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.	From 8 April 2015 to 9 April 2020	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	Settlement of connected transactions	CSSC	CSSC and entities under its control will make great efforts to reduce or avoid connected transactions with the Company in the future operating activities. In case of any connected transaction that is not avoidable, the terms and conditions for such transactions shall be conducted in accordance with normal business standards. The pricing policies of connected transactions shall comply with the market-based principles of equality, fairness and openness.	Made on 31 October 2014	No	Yes
Undertaking relating to the material asset reorganisation	Others	CSSC	Upon the completion of the transaction, CSSC will completely separate from the Company in terms of personnel, assets, business, institutions and finance in accordance with the relevant laws, regulations and normative documents, and will not engage in any act that may affect the independence of the Company's personnel, or the financial independence or damage the interests of COMEC and other shareholders, to practically guarantee the independence of the Company in personnel, assets, business, institutions and finance.	Made on 31 October 2014	No	Yes
Undertaking relating to the material asset reorganisation	Selling restriction for shares	CSSC	A shares received by CSSC from this asset subscription will not be transferred in any way within 36 months since the listing of such shares, including but not limited to public transfer on the securities market or transfer through agreement. Upon expiry of such period, the transfer shall comply with the relevant rules of the China Securities Regulatory Commission and the Shanghai Stock Exchange.	From 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.</p> <p>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 collectively 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 at nil consideration. 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 could not continue to be utilised due to these arrangements, causing adverse impact to the production and operation of Huangpu Wenchong and Wenchong Shipyard, CSSC will actively coordinate in solving the issue and fully indemnify Huangpu Wenchong and Wenchong Shipyard in cash against any economic losses incurred. 3. CSSC will actively assist Huangpu Wenchong and Wenchong Shipyard in future communication with Guangzhou Municipal Government in compensation for the relocation.</p>	Made on 31 October 2014	No	Yes

SECTION V SIGNIFICANT EVENTS

Background	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	Others	CSSC	1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to removal, transportation and installation of some of the assets to be demolished due to relocation shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard; 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, the Company will make full supplements in cash within 90 days after relevant government compensation is in place.	Made on 3 March 2015	No	Yes
Undertaking relating to the material asset reorganisation	Others	CSSC	CSSC does not have any plan to reduce its shareholding in COMEC during the period from the date of resumption of trading for the reorganisation to the date of completion of the reorganisation.	Made on 26 February 2018	Yes	Yes

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

- (1) As considered and approved at the annual general meeting of 2017 of the Company, ShineWing was appointed as the auditor of financial reports for 2018 of the Company and its remuneration for audit work amounted to RMB2,020,000 (inclusive of tax). As at 31 December 2017, ShineWing had been providing auditing services to the Company for 7 consecutive years. The financial statements in the Company's annual report 2018 were prepared according to the Accounting Standards for Business Enterprises of the PRC and audited by ShineWing. ShineWing will retire upon expiry of term and offer themselves for re-appointment.
- (2) As considered and approved at the fifth meeting of the ninth session of the Board, the Company re-appointed ShineWing as its internal control auditor for 2018, which will receive remuneration of RMB400,000 (inclusive of tax) for auditing the effectiveness of and issue a report on the internal control of the Company.

V. MATERIAL LITIGATIONS AND ARBITRATIONS

(i) Other explanations

1. 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# installment work contract disputes. On 4 June 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua, and Jiangsu Shenghua had returned all the related assets. As for the case that the Company sued Jiangsu Shenghua in relation to a dispute over technical service contract, and the case that Guangli sued Jiangsu Shenghua in relation to a dispute over the Contract for Installation Engineering of 1# and 2# 79,600 DWT bulk carriers, please refer to the "Significant Events – (I) Significant Litigations and Arbitrations" in the annual report of the Company for the year 2011 for details.

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 liquidation 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 third meeting of debtors for liquidation is expected to be held within 2018.

2. On 18 November 2013, Huangpu Wenchong, a 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 single ship subsidiaries of KC Maritime Limited ("KCM").

SECTION V SIGNIFICANT EVENTS

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. On 10 April 2017, Huangpu Wenchong filed an arbitration at London Maritime Arbitration Tribunal in relation to the performance by the guarantor for two ships being H3069 and H3070 of its guarantee obligations. For details of the case, please refer to the section headed "Significant Events" in the third quarterly report 2016 of the Company. As at 30 June 2018, Huangpu Wenchong, a subsidiary of the Company, KCM, being the ship owner, and four single ship companies owned by KCM reached a settlement for the building contract dispute case, and all parties have withdrawn their claims.

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

Connected transactions related to daily operation for 2018 (from January to June)

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	426,957.00	33,653.39	4.14%	Market price
Supply of utilities	8,301.00	1,442.65	93.20%	Cost plus a 20-25% management fee or on terms no less favourable to the Group than terms available from independent third parties
Labour and technical services	18,927.00	1,376.69	15.48%	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	1,239,625.00	173,392.32	32.19%	Market price or on terms no less favourable to the Group than terms available from independent third parties
Leasing, labour supply and technical services	84,616.00	10,720.68	3.89%	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	283,220.33	29.59%	Benchmark deposit interest rate set by the People's Bank of China
Interest on deposits	17,550.00	1,916.78	17.99%	
Loans (amount)	1,010,000.00	223,990.00	21.51%	No more than benchmark loan interest rate set by the People's Bank of China
Interest on loans	49,490.00	7,211.44	52.45%	

SECTION V SIGNIFICANT EVENTS

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
Others and bank facilities (credit)	850,000.00	170,044.11	21.13%	On terms no less favourable to the Group than terms available from independent third parties
Other credit services (handling fee)	1,320.00	312.13	13.72%	On terms no less favourable to the Group than terms available from independent third parties
Forward exchange settlement (amount)	850,000.00	187,646.78	37.53%	On terms no less favourable to the Group than terms available from independent third parties
Entrusted assets management services (amount)	550,000.00	37,000.00	100.00%	On terms no less favourable to the Group than terms available from independent third parties
Entrusted assets management services (interest)	27,500.00	2,568.38	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	750,000.00	-	-	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	4,500.00	-	-	
Ship sales agency services provided by the CSSC Group				
Ship sales agency	11,900.00	2,286.23	35.25%	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	1,610.00	142.71	100.00%	1-2% of the contract price

(ii) Others

On 27 June 2018, the Resolution on the Connected Transaction in relation to the Non-exercise of the Right of First Refusal and the Right to Proportional Capital Increase by a Subsidiary of the Company was considered and passed at the sixth meeting of the ninth session of the Board, whereby the non-exercise by GSI, a subsidiary of the Company, of its right of first refusal and right to proportional capital increase for Liner Technology was approved. For details, please refer to the Announcement of COMEC on the Connected Transaction in relation to the Non-exercise of the Right of First Refusal and the Right to Proportional Capital Increase by a Subsidiary 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 June 2018.

SECTION V SIGNIFICANT EVENTS

VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

1 Trust, contracting and lease matters

(1) Lease

Unit: RMB in ten thousand Currency: RMB

Lessor name	Name of lessee	Leased assets	Amount of lease	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 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 production commences at the new plant	-	-	-	Yes	Sister company of the Group
GSI	Guangzhou Wenchong Dockyard Co., Ltd.	Land, buildings and structures and equipment	-	2015.9.30		688.61	-	-	Yes	Sister company of the Group

Description of leases

- In 2014, Guangzhou Ship Industrial Co., Ltd., Huangpu Wenchong and Wenchong Shipyard entered into a lease agreement in relation to land use right, pursuant to which Guangzhou Company shall lease the land use right owned by it in relation to the land at the Changzhou Plant and part of the land at the Wenchong Plant to Huangpu Wenchong and Wenchong Shipyard for use in operation. The rent for the land use right shall be determined based on the principle of asset depreciation, amortisation and taxes. The rent shall be paid on an annual basis in the form of cash at bank and on hand. The term for the aforesaid lease of land use right commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong and Wenchong Shipyard is completed and they commence formal production at the new plant.
- In 2016, GSI and Guangzhou Wenchong Dockyard Co., Ltd. entered into a property lease framework agreement in relation to the quarter for workers of CSSC Longxue base (stage 1 of phase I), pursuant to which the new worker's village located in Longxue Island, Nansha District, Guangzhou was leased to Wenchong Dockyard as staff quarter. It was agreed that the rent shall be settled on a quarterly basis and the lease shall take effect retrospectively on 30 September 2015. Formal property lease contract will be re-entered into upon project acceptance and settlement. Under the aforesaid framework agreement and based on the actual use of the staff quarter (including utilities expenses), the rent income from such staff quarter for the first half of 2018 was approximately RMB6,886,100 in total.

SECTION V SIGNIFICANT EVENTS

2 Guarantees

Unit: Yuan Currency: RMB

External guarantees by the Company (excluding guarantees for its subsidiaries)													
Guarantor	Relationship between guarantor and the Company	Guaranteed party	Amount of guarantee	Date of guarantee (date of signing of agreement)	Guarantee Date of commencement of guarantee	Guarantee Date of expiry	Type of guarantee	Whether fully executed	Whether overdue	Overdue amount of guarantee	Existence of counter guarantee	Whether provided for related party	Relationship
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantee during the Reporting Period (excluding guarantees for the subsidiaries)													-
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)													-
Guarantees provided by the Company for its subsidiaries													
Total amount of guarantees provided for its subsidiaries during the Reporting Period													-
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period (B)													844,475,006.37
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)													
Total amount of guarantees (A+B)													844,475,006.37
Total amount of guarantees as a percentage of the Company's net assets (%)													5.13
Including:													
Amount of guarantees provided for shareholders, beneficial controller and related parties (C)													-
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)													344,475,006.37
Total amount of guarantees in excess of 50% of net assets (E)													-
Sum of the above three guarantees (C+D+E)													344,475,006.37
Description of outstanding guarantees which may incur several and joint liability													
Note on guarantees							During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB844 million, which were either provided by the Group for its subsidiaries or by them to their own subsidiaries. The balance of guarantee provided by Huangpu Wenchong for Wenchong Shipyard was RMB344 million, and the balance of guarantee provided by Wenchong Shipyard for Huangpu Wenchong was RMB500 million. The cap set out in the framework for the proposed guarantees between the Company and its subsidiaries for the year 2018 and their amounts has not been exceeded.						

SECTION V SIGNIFICANT EVENTS

VIII. POVERTY ALLEVIATION MEASURES OF THE COMPANY

1. Targeted poverty alleviation plan

In 2018, the Group carefully implemented the principles set out in the poverty alleviation documents issued by the provincial party committee and provincial government of Guangdong Province and the arrangements of CSSC for poverty alleviation work, and, in view of the needs of poverty alleviation at Dashi Village, Heqing County, Yunnan Province and He'an Village, Xuwen County, Guangdong Province, the Company and its subsidiaries proposed to make a total donation of RMB809,586. In addition, the Company and its subsidiaries planned to purchase agricultural products in the total amount of RMB3,205,200 by batches from Heqing County, Yunnan Province to support local agricultural development in 2018.

2. Overview of targeted poverty alleviation during the Reporting Period

In the first half of 2018, the Group actively followed the requirements for targeted poverty alleviation, and arranged employees to purchase agricultural products in the total amount of RMB1,605,200 from Heqing County, Yunnan Province to support local aquaculture development.

3. Results of Targeted Poverty Alleviation

Unit: RMB in ten thousand Currency: RMB

Indicator	Number and relevant information	
I. General information		
Including:		
1. Fund		0
2. Materials		160.52
3. Number of records established for poor people (person)		137
II. Investment by project		
1. Poverty alleviation through industrial development		
Including:		
1.1 Types of industrial poverty alleviation projects	<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	
1.2 Number of industrial poverty alleviation projects		1
1.3 Amount of investment in industrial poverty alleviation projects		160.52
1.4 Number of records established for poor people who have got out of poverty (person)		137

4. Subsequent targeted poverty alleviation plan

In the second half of 2018, the Group will continue to implement the relevant requirements of Guangdong Province and CSSC for targeted poverty alleviation and complete the donation of RMB809,586 to Dashi Village, Heqing County, Yunnan Province and He'an Village, Xuwen County, Guangdong Province to meet their needs for help. It will also continue to purchase agricultural products from Heqing County, Yunnan Province to support local agricultural development and actively conduct industrial poverty alleviation and living poverty alleviation in order to perform its social responsibility as a listed company.

IX. ENVIRONMENTAL INFORMATION

(i) **Description of the environment protection of the Company and its major subsidiaries falling under key waste water emission entities announced by the environment protection authorities of the PRC**

According to the Circular on the List of the Key Pollution Discharge Entities in Guangzhou for 2018 (Sui Huan [2018] No. 40) issued by Guangzhou Environmental Protection Bureau in March 2018, six members of the Group, namely the Company, GSI, Huangpu Wenchong, Longxue Pipe, Wenchong Shipyard and Huangchuan Ocean Engineering, were included as key pollution discharge entities in Guangzhou for 2018.

Special note: The Company is a holding company and its assets that were included in the list of pollution discharge entities prepared by Guangzhou Environmental Protection Bureau had been transferred to GSI in 2016 (for details, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 5 November 2015 and 29 December 2015). As such, the Company was no longer involved in the key pollution discharge entities. The Company will further communicate with and explain to Guangzhou Environmental Protection Bureau in the future.

1. Information on pollution discharge

(1) GSI

The main pollutants discharged in the production process of GSI are waste gas, waste water, solid waste and noise.

1) Waste gas

The waste gas generated by GSI mainly represents dust and organic waste gas. GSI has established waste gas treatment devices to ensure that the emission concentration of the air pollutant emitted reaches the level II, period II standard for type II control region set out in the Emission Limits of Air Pollutants of Guangdong Province. During the Reporting Period, no waste gas emissions of GSI had not met the standard.

2) Waste water

The waste water generated by GSI includes production waste water and domestic waste water. The production waste water represents mainly the oily waste water generated in the mooring experiments of ship wharves and the pipeline oil intermingling process. The domestic waste water is from the sewage generated at the production area and the office area. During the Reporting Period, GSI discharged a total of 220,206 tonnes of waste water, the water pollutant emission concentration of which has reached the level I, period II standard set out in the Emission Limits of Air Pollutants of Guangdong Province.

3) Solid waste (including hazardous waste)

The solid waste generated by GSI is mainly classified into two types, being production solid waste and domestic refuse. GSI collects and separates the solid waste generated. Recyclable solid waste such as waste metal is utilised by waste material recycling companies, and non-recyclable solid waste is sorted by environmental protection authorities and then delivered to qualified landfill sites for disposal. Domestic refuse is collected and disposed of by local environmental sanitation authorities. Entities with permits to conduct hazardous waste operation are appointed to treat hazardous waste. During the Reporting Period, GSI disposed of a total of 9,811 tonnes of solid waste.

4) Noise

The noise generated by GSI is mainly production noise. It conducts noise emission detection at boundary on a regular basis to ensure that the noise at boundary meets the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary.

SECTION V SIGNIFICANT EVENTS

(2) Longxue Pipe

The main pollutants discharged in the production process of Longxue Pipe are waste gas, waste water, solid waste and noise.

1) Waste gas

The waste gas generated by Longxue Pipe include dust gas, organic waste gas and acid mist gas, and the emission concentration of the air pollutant emitted met the level II, period II standard for type II control region set out in the Emission Limits of Air Pollutants of Guangdong Province. During the Reporting Period, No waste gas emissions of Longxue Pipe had not met the standard.

2) Waste water

The waste water generated by Longxue Pipe is mainly acid and alkali-containing flushing waste water. During the Reporting Period, Longxue Pipe discharged a total of 6,088 tonnes of waste water, and the emission concentration of water pollutants met the level III, period II standard set out in the Emission Limits of Water Pollutants of Guangdong Province. During the Reporting Period, no waste water discharged by Longxue Pipe had not met the standard.

3) Solid waste (including hazardous waste)

The solid waste generated by Longxue Pipe include hazardous waste (phosphate slag sludge etc.), general industrial solid waste and domestic refuse. Qualified entities are appointed to dispose of hazardous waste generated by it. During the Reporting Period, Longxue Pipe disposed of a total of 228.47 tonnes of solid waste.

4) Noise

The noise generated by Longxue Pipe represents mainly production noise. The noise at boundary met the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary.

(3) Huangpu Wenchong

The main pollutants discharged in the production process of Huangpu Wenchong are waste gas, waste water, solid waste and noise.

1) Waste gas

The waste gas generated by Huangpu Wenchong mainly represents dust and organic waste gas. It has established waste gas treatment devices to ensure that the emission concentration of the air pollutant emitted meets the level II, period II standard for type II control region set out in the Emission Limits of Air Pollutants of Guangdong Province. During the Reporting Period, no waste gas emissions of Huangpu Wenchong had not met the standard.

2) Waste water

The waste water generated by Huangpu Wenchong includes production waste water and domestic waste water. The production waste water represents mainly the oily waste water generated in the mooring experiments of ship wharves, workshop industrial waste water, and cabin-cleaning oily waste water. The domestic waste water is from the sewage generated at the production area and the office area. The cabin-cleaning oily waste water following disposal at the oily water disposal station, together with domestic sewage and other industrial waste water, is discharged into municipal sewage pipelines. During the Reporting Period, Huangpu Wenchong discharged a total of 79,798 tonnes of waste water, the water pollutant emission concentration of which has met the level III, period II standard set out in the Emission Limits of Water Pollutants of Guangdong Province.

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3) Solid waste (including hazardous waste)

The solid waste generated by Huangpu Wenchong is mainly divided into two categories, being production solid waste and domestic refuse, which are further divided into three types based on the characteristics of solid waste, namely recyclable solid waste, non-recyclable solid waste (industrial refuse) and hazardous waste.

Huangpu Wenchong collects and separates solid waste. Recyclable solid waste such as waste metal is utilised by waste material recycling companies, and non-recyclable solid waste (industrial refuse) is delivered to Guangzhou Shijie Environment Protection Equipment Co., Ltd. for transportation and disposal. Domestic refuse is delivered to the environmental sanitation authority of Changzhou Street, and Zhaoqing Xin Rong Chang Environmental Protection Co., Ltd., which is qualified, is appointed to dispose of hazardous waste. During the Reporting Period, 1,200 tonnes of solid waste (industrial refuse) and 7.5 tonnes of hazardous waste were disposed of.

4) Noise

The noise generated by Huangpu Wenchong represents mainly production noise and mechanical noise. The noise at boundary met the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary (GB12348-2008).

(4) Wenchong Shipyard

The main pollutants discharged in the production process of Wenchong Shipyard are waste gas, waste water, solid waste and noise.

1) Waste gas

The waste gas generated by Wenchong Shipyard mainly represents organic waste gas and dust. It has five sets of organic waste gas purification treatment devices and seven filter dust removers to ensure that the emission concentration of the air pollutant emitted meets the level II, period II standard set out in the Emission Limits of Air Pollutants of Guangdong Province (DB44/27-2001). During the Reporting Period, all of its waste gas emissions met the standard.

2) Waste water

The waste water generated by Wenchong Shipyard includes production waste water and domestic waste water. The production waste water represents mainly the oily waste water generated in the mooring experiments of ship wharves and the pipeline oil intermingling process. The domestic waste water is from the sewage generated at the production area and the office area. The emission concentration of its water pollutants met the level B limit set out in the table 1 in the Wastewater Quality Standards for Discharge to Municipal Sewers (CJ343-2010). During the Reporting Period, Wenchong Shipyard discharged a total of 133,079 tonnes of waste water.

3) Solid waste (including hazardous waste)

The solid waste generated by Wenchong Shipyard include hazardous waste, general industrial solid waste and domestic refuse. Qualified entities are appointed to dispose of hazardous waste generated by it. During the Reporting Period, Wenchong Shipyard disposed of 2,365.44 tonnes of general industrial waste and 258.51 tonnes of hazardous waste.

4) Noise

The noise generated by Wenchong Shipyard represents mainly production noise and mechanical noise. The noise at boundary met the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary (GB12348-2008).

SECTION V SIGNIFICANT EVENTS

(5) *Huangchuan Ocean Engineering*

The main pollutants discharged in the production process of Huangchuan Ocean Engineering are waste gas, waste water, solid waste and noise.

1) Waste gas

The waste gas generated by Huangchuan Ocean Engineering mainly represents dust and organic waste gas. It has established waste gas treatment devices to ensure that the emission concentration of the air pollutant emitted meets the level II, period II standard for type II control region set out in the Emission Limits of Air Pollutants of Guangdong Province. During the Reporting Period, no waste gas emissions of Huangchuan Ocean Engineering had not met the standard.

2) Waste water

The waste water generated by Huangchuan Ocean Engineering includes production waste water and domestic waste water. The production waste water represents mainly the oily waste water generated in the mooring experiments of ship wharves and the pipeline oil intermingling process. The domestic waste water is from the sewage generated at the production area and the office area. During the Reporting Period, Huangchuan Ocean Engineering discharged a total of 142,812 tonnes of waste water, the water pollutant emission concentration of which has met the level I, period II standard set out in the Emission Limits of Air Pollutants of Guangdong Province, and no standard had not been met.

3) Solid waste (including hazardous waste)

The solid waste generated by Huangchuan Ocean Engineering include mainly three types, namely recyclable solid waste, non-recyclable solid waste and hazardous waste. Huangchuan Ocean Engineering collects and separates the solid waste generated. Recyclable solid waste such as waste metal is utilised by waste material recycling companies. Qualified entities are appointed to treat non-recyclable solid waste and hazardous waste. During the Reporting Period, Huangchuan Ocean Engineering disposed of 1,600 tonnes of industrial refuse and 55.44 tonnes of hazardous waste.

4) Noise

The noise generated by Huangchuan Ocean Engineering is mainly production noise. It conducts noise emission detection at boundary on a regular basis to ensure that the noise at boundary meets the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary. No standard had not been met.

2. **Construction and operation of pollution prevention facilities**

(1) *GSI*

GSI has established 26 sets of cyclone + filter cartridge dust collectors and 24 sets of sinking dust collectors for dust discharged, 10 sets of activated carbon adsorption + catalytic combustion purification treatment devices for organic waste gas, and a domestic sewage treatment station and an oily wastewater treatment station for the waste water generated. For production noise, it mainly reduces the impacts of production noise through equipment selection, building enclosure, establishing sound insulation covers, installing damping pads and mufflers. In addition, it conducts day-to-day operation inspection, repair and maintenance of pollutant treatment facilities for waste water, waste gas, solid waste and noise in strict compliance with the requirements of the Regulations on Prevention and Control of Environmental Pollution of GSI to ensure that the facilities operate normally and the pollutants are not discharged until treated and meeting the standard.

(2) *Longxue Pipe*

Longxue Pipe has established water filter dust removers for hot dip zinc dust discharged, activated carbon adsorption catalytic combustion purification devices for organic waste gas, and acid mist disposal towers for acid mist waste gas, sewage treatment station for production waste water, and reduces the impacts of production noise through establishing separate machine rooms and installing damping pads and mufflers. It conducts day-to-day operation inspection, repair and maintenance of pollutant treatment facilities for waste water, waste gas, solid waste and noise to ensure that the facilities operate normally and the pollutants are not discharged until treated and meeting the standard.

(3) *Huangpu Wenchong*

Huangpu Wenchong has established 5 sets of cyclone + filter cartridge dust collectors for the 2-metre and 3-metre steel plate pretreatment lines and painting rooms which generate dust, 3 sets of activated carbon adsorption + catalytic combustion purification treatment devices for the 2-metre and 3-metre steel plate pretreatment lines and painting rooms which generate organic waste gas, and a domestic sewage treatment station and an oily wastewater treatment station for the waste water generated. For production noise, it mainly reduces the impacts of production noise through equipment selection, building enclosure, establishing sound insulation covers, installing damping pads and mufflers. In addition, it conducts day-to-day operation inspection, repair and maintenance of pollutant treatment facilities for waste water, waste gas, solid waste and noise in strict compliance with the requirements of the Environmental Protection Management Measures of Huangpu Wenchong to ensure that the facilities operate normally and the pollutants are not discharged until treated and meeting the standard.

(4) *Wenchong Shipyard*

For waste gas emission, Wenchong Shipyard has established 5 sets of activated carbon adsorption + catalytic combustion desorption treatment devices and 7 sets of cyclone dust removal and filter cartridge dust collectors at the painting workshop and the steel plate pretreatment workshop. For waste water emission, it completed the rain and sewage diversion project (for shipbuilding space), and production waste water and domestic waste water are directly discharged to the waste water treatment plant through municipal pipelines. For noise, it adopts measures including installing sound insulation and noise elimination facilities to reduce the impacts of production noise, and conducts day-to-day operation inspection, repair and maintenance of pollutant treatment facilities for waste water, waste gas, solid waste and noise to ensure that the facilities operate normally and the pollutants are not discharged until treated and meeting the standard.

(5) *Huangchuan Ocean Engineering*

Huangchuan Ocean Engineering has established a sewage treatment station to treat production waste water and domestic waste water, installed cyclone + filter cartridge dust collectors at the steel pretreatment line and sandblasting room, and 12 sets of activated carbon adsorption + catalytic combustion purification treatment devices for organic waste gas. All these facilities operate normally. For production noise, it mainly reduces the impacts of production noise through equipment selection, building enclosure, establishing sound insulation covers, installing damping pads and mufflers.

3. Environmental impact assessment for construction projects and other administrative permission for environmental protection

(1) *GSI*

GSI strictly complies with the requirements of the relevant environmental laws and regulations and conducts the "Three simultaneousness" work for the environmental protection for construction projects. On 11 January 2006, the former State Environmental Protection Administration issued a reply to the Environmental Impact Report on the Civil Product Shipbuilding Area Project of Phase I of the CSSC Longxue Shipbuilding Base (Huan Shen [2006] No. 22), and the project passed the inspection and acceptance of the Ministry of Environmental Protection on 27 July 2010. The Nansha Environmental Protection Bureau of Guangzhou issued the Letter of Review Opinions for the Environment Report for the General Warehouse Technical Upgrade Project of Guangzhou Shipyard International Company Limited on 18 August 2015, and the project passed the inspection and acceptance of Nansha Environmental Protection and Water Affairs Bureau of Guangzhou on 29 December 2016. GSI has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

(2) *Longxue Pipe*

Longxue Pipe strictly complies with the requirements of the relevant environmental laws and regulations and conducts the "Three simultaneousness" work for the environmental protection for construction projects. Nansha Environmental Protection Bureau of Guangzhou issued a reply to the Environmental Impact Report on the Phase I Construction Project of Guangzhou Longxue Pipe Co., Ltd. (Sui Nan Qu Huan Guan Ying [2010] No. 104) on 30 August 2010, and the project passed the inspection and acceptance of Nansha Environmental Protection Bureau of Guangzhou in 2012. Longxue Pipe has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

SECTION V SIGNIFICANT EVENTS

(3) *Huangpu Wenchong*

The construction of the environmental protection facilities of the general technical upgrade project of Huangpu Wenchong was substantially completed. Currently the environmental acceptance report has been prepared and it is in the process of applying for on-site inspection and acceptance for environmental protection in accordance with the procedures. Huangpu Wenchong has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

(4) *Wenchong Shipyard*

Wenchong Shipyard has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

(5) *Huangchuan Ocean Engineering*

The acceptance approvals for the offshore engineering Phase I, offshore engineering production capacity expansion and offshore engineering supplementary projects of Huangchuan Ocean Engineering, all of which were completed, had been obtained. The pollutant discharge permit had been obtained in 2014. A reply from Nansha Environmental Protection and Water Affairs Bureau to the environment impact assessment of the newly-built Longxue Gas Cylinder Transfer Station (Sui Nan Qu Huan Shui Guan Ying (2017) No. 93) was obtained, and the inspection and acceptance report is being prepared. A reply to the investment project was obtained from Nansha Environmental Protection Bureau (Sui Nan Kai Huan Guan Ying [2014] No. 190) in 2014, and the project is currently under construction.

4. **Emergency plans for sudden environmental events**

(1) *GSI and Longxue Pipe*

Both GSI and Longxue Pipe have prepared the Emergency Plan for Sudden Environmental Events in accordance with the relevant requirements for safety and environmental protection in the PRC, which were filed with the environmental protection authorities in the first half of 2017.

Both GSI and Longxue Pipe have established an emergency rescue leading team and an emergency rescue professional team. The emergency plan sets out clear emergency response procedures, the position responsibilities of emergency personnel and the emergency response measures for various environmental risks in day-to-day operation (such as safety training, file drills and material support).

(2) *Huangpu Wenchong*

The emergency plan for sudden environmental events developed by Huangpu Wenchong passed expert review and was filed with Huangpu Environmental Protection Bureau in 2015. A retrospective review will be conducted in the second half of 2018 to assess its applicability and effectiveness.

Huangpu Wenchong has established an emergency rescue leading team and an emergency rescue professional team. The emergency plan sets out clear emergency response procedures, the position responsibilities of emergency personnel and the emergency response measures for various environmental risks in day-to-day operation (such as safety training, file drills and material support).

(3) *Wenchong Shipyard*

The Emergency Plan for Sudden Environmental Events and the Risk Assessment Report for Sudden Environmental Events developed by Wenchong Shipyard passed expert review and was filed with Huangpu Environmental Protection Bureau in 2016. A further review will be conducted in the second half of 2018 to assess its applicability and effectiveness and it will be re-filed.

(4) *Huangchuan Ocean Engineering*

The Emergency Plan for Sudden Environmental Events developed by Huangchuan Ocean Engineering passed expert review and was filed with Nansha Environmental Protection Bureau in 2014. Another review was conducted in late 2016 to re-assess its applicability and effectiveness, and it was re-filed with Nansha Environmental Protection and Water Affairs Bureau in January 2017.

5. **Environment self-monitoring solutions**

The Group's key pollutant discharge entities appoint qualified testing institutions on a regular basis to monitor the discharge of pollutants including waste water, waste gas, noise and radiation as well as whether the pollutants discharged have met the relevant standards, which are subject to ad-hoc regulatory supervision by environmental protection authorities.

X. EXPLANATIONS FOR OTHER IMPORTANT MATTERS

(i) **Changes in accounting policies, accounting estimates and accounting methods compared to last accounting period, and the reasons and impacts thereof****(1) Changes in significant accounting policies**1) *Details of and reason for changes*

The Ministry of Finance of the PRC issued the following amendments to and interpretations of the Accounting Standards for Business Enterprises in 2017 and 2018:

1. Accounting Standard for Business Enterprises No. 14 – Revenue (Amendment) (the “New Revenue Standard”)
2. Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Amendment), Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets (Amendment), Accounting Standard for Business Enterprises No. 24 – Hedging Accounting (Amendment), and Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (Amendment) (collectively, the “New Standards for Financial Instruments”)
3. Circular on the Format of Financial Statements of General Enterprises for 2018 (Cai Kuai [2018] No. 15)

The Group has adopted the aforesaid amendments to and interpretations of the Accounting Standards for Business Enterprises with effect from 1 January 2018 and has adjusted its relevant accounting policies.

2) *Principal impacts of changes*

1. New Revenue Standard

The New Revenue Standard replaces the Accounting Standard for Business Enterprises No. 14 – Revenue and the Accounting Standard for Business Enterprises No. 15 – Construction Contracts (collectively, the “Previous Revenue Standards”) issued by the Ministry of Finance of the PRC in 2006.

Under the Previous Revenue Standards, for the shipbuilding services and offshore engineering products and large steel structure products provided by the Group, their revenue and cost were recognised in accordance with the requirements of the Accounting Standard for Business Enterprises No. 15 – Construction Contracts. 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. The revenue and cost of electromechanical products and other steel structure products are recognised in accordance with the requirements for sale of goods, and the timing of revenue recognition was determined based on the timing of transfer of risks and rewards.

Under the New Revenue Standard, the principles for recognition and methods of measurement of revenue of the Group upon change are as follows: At the date of contract, the Group shall assess the contract, identify each of the performance obligations in the contract, as well as ensure whether each of the performance obligations is to be fulfilled over time or at a particular point of time, and subsequently confirm the revenue accordingly upon the complete fulfilment of each of the performance obligations. For the performance obligations to be fulfilled at a point in time, the Group recognises revenue at contractual price when the customer has obtained the control over the relevant goods. For the performance obligations to be fulfilled over time, the Group recognises revenue based on the performance progress during such period. The Group adopts the input method to determine the appropriate progress of performance, which is determined by the total actual contract cost incurred in proportion to the total estimated contract cost. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated is recognised as revenue, until the performance progress can be reasonably determined.

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In accordance with the requirements of the New Revenue Standard, the Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance of obligations and the payment by customers.

The Group reviews the sources of revenue and the performance of obligations by customers to assess the impacts of the New Revenue Standard on its financial statements. The Group's revenue is mainly from shipbuilding and offshore engineering products. Based on the assessment of contracts with customers, most of the shipbuilding and offshore engineering products meet the condition to "performance over time", and their venue continue to be recognised based on the performance progress. A small portion of shipbuilding and offshore engineering products does not meet the condition to "performance over time", and the Group changed them to performance at a particular point of time. In accordance with the transitional provisions of the New Revenue Standard, the accumulated impact of the first-time adoption of the New Revenue Standard was that undistributed profit as at the beginning of 2018 decreased by RMB28,415,790.16, without adjusting comparative period figures.

The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Items affected	Before adjustment	1 January 2018 (Consolidated)	
		Adjustment under the New Revenue Standard	After adjustment
Total assets	44,157,662,027.63	547,559,351.05	44,705,221,378.68
Including: Inventories	10,339,936,296.32	-5,764,483,485.18	4,575,452,811.14
Contract assets		6,312,042,836.23	6,312,042,836.23
Total liabilities	32,211,520,159.51	575,975,141.21	32,787,495,300.72
Including: Advances from customers	650,869,010.03	-650,869,010.03	
Contract liabilities		6,420,311,531.98	6,420,311,531.98
Other current liabilities	5,544,483,602.13	-5,407,233,010.85	137,250,591.28
Estimated liabilities	534,814,956.27	213,765,630.11	748,580,586.38
Total owners' equity	11,946,141,868.12	-28,415,790.16	11,917,726,077.96
Including: Undistributed profit	1,228,681,091.09	-28,415,790.16	1,200,265,300.93

The impacts on the relevant items in the financial statements of the Company are as follows (Unit: RMB):

Items affected	Before adjustment	1 January 2018 (the Company)	
		Adjustment under the New Revenue Standard	After adjustment
Total liabilities	856,982,812.13		856,982,812.13
Including: Advances from customers	55,310,128.61	-55,310,128.61	
Contract liabilities		55,310,128.61	55,310,128.61

2. New Standards for Financial Instruments

The New Standards for Financial Instruments revised the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets, and the Accounting Standard for Business Enterprises No. 24 – Hedging Accounting issued by the Ministry of Finance of the PRC in 2006, as well as the Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments amended by the Ministry of Finance of the PRC in 2014 (collectively, the "Previous Standards for Financial Instruments").

The New Standards for Financial Instruments classify financial assets into three types: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss. Under the New Standards for Financial Instruments, the classification of financial assets is determined based on the business model under which the Group manages financial assets and the characteristics of contractual cash flows of the assets. The New Standards for Financial Instruments removed the classification of loans and receivables, held-to-maturity investments and available-for-sale financial assets under the Previous Standards for Financial Instruments.

SECTION V SIGNIFICANT EVENTS

The New Standards for Financial Instruments replaced the “incurred loss” model under the Previous Standards for Financial Instruments with the “expected credit loss” model. The “expected credit loss” model requires continuous assessment of credit risks of financial assets.

In accordance with the requirements of the New Standards for Financial Instruments, the Group designates investments in equity instruments not held-for-trading as financial assets at fair value through other comprehensive income and makes retrospective adjustments. Based on the difference between the carrying value of financial instruments previously reported and the new carrying value of financial instruments at the date of adoption of the New Standards for Financial Instruments, being 1 January 2018, the Group increased other comprehensive income as at the beginning of 2018 by RMB17,736,432.06, without adjusting comparative financial statement figures.

The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Items affected	1 January 2018 (Consolidated)		
	Before adjustment	Adjustment under the New Standards for Financial Instruments	After adjustment
Total assets	44,157,662,027.63	23,731,942.26	44,181,393,969.89
Including: Available-for-sale financial assets	21,029,995.04	-21,029,995.04	
Investments in other equity instruments		44,726,104.08	44,726,104.08
Deferred tax assets	460,427,215.85	35,833.22	460,463,049.07
Total liabilities	32,211,520,159.51	5,995,510.20	32,217,515,669.71
Including: Deferred tax liabilities	1,412,563.62	5,995,510.20	7,408,073.82
Total owners' equity	11,946,141,868.12	17,736,432.06	11,963,878,300.18
Including: Other comprehensive income	-60,327,829.23	17,736,432.06	-42,591,397.17

There were no impacts on the items in the financial statements of the Company.

3. Presentation of financial statements

The Group has prepared its interim financial statements for the first half of 2018 in accordance with the format of financial statements set out in Cai Kuai [2018] No. 15 and has changed the presentation of the relevant financial statements using retrospective adjustment method.

The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Affected items in the consolidated balance sheet	31 December 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Total assets	44,157,662,027.63		44,157,662,027.63
Including: Notes receivable	157,166,528.30	-157,166,528.30	
Accounts receivable	1,541,228,808.18	-1,541,228,808.18	
Notes and accounts receivable		1,698,395,336.48	1,698,395,336.48
Interest receivable	46,434,534.12	-46,434,534.12	
Other receivables	129,376,288.79	46,434,534.12	175,810,822.91
Fixed assets	10,146,480,696.50	31,132.31	10,146,511,828.81
Disposal of fixed assets	31,132.31	-31,132.31	
Total liabilities	32,211,520,159.51		32,211,520,159.51
Including: Notes payable	1,772,284,568.59	-1,772,284,568.59	
Accounts payable	7,656,237,265.69	-7,656,237,265.69	
Notes and accounts payable		9,428,521,834.28	9,428,521,834.28
Interest payable	13,010,817.17	-13,010,817.17	
Dividends payable	383,540.92	-383,540.92	
Other payables	234,291,737.22	13,394,358.09	247,686,095.31
Long-term payables		363,119,760.23	363,119,760.23
Long-term employee benefits payable	263,749,760.23	-263,749,760.23	
Special payables	99,370,000.00	-99,370,000.00	

SECTION V SIGNIFICANT EVENTS

Affected items in the consolidated income statement	From January to June 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Administrative expenses	523,351,934.09	-147,018,458.15	376,333,475.94
Research and development expenses		147,018,458.15	147,018,458.15
Loss on impairment of assets	14,307,072.64	4,003,144.53	18,310,217.17
Credit impairment loss		-4,003,144.53	-4,003,144.53
Net profit	51,955,996.74		51,955,996.74
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss 3. Change in fair value of investments in other equity instruments		213,038.28	213,038.28
(ii) Other comprehensive income that may be subsequently reclassified into profit or loss 2. Gain or loss on change in fair value of available-for-sale financial assets	213,038.28	-213,038.28	
Other comprehensive income after tax, net	213,038.28		213,038.28

The impacts on the relevant items in the financial statements of the Company are as follows (Unit: RMB):

Affected items in the balance sheet of the Company	31 December 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Total assets	9,635,378,787.06		9,635,378,787.06
Including: Notes receivable	100,000.00	-100,000.00	
Accounts receivable	34,815,043.87	-34,815,043.87	
Notes and accounts receivable		34,915,043.87	34,915,043.87
Interest receivable	403,909.69	-403,909.69	
Other receivables	9,128,338.88	403,909.69	9,532,248.57
Fixed assets	76,749,497.88	31,132.31	76,780,630.19
Disposal of fixed assets	31,132.31	-31,132.31	
Total liabilities	856,982,812.13		856,982,812.13
Including: Accounts payable	65,977,190.78	-65,977,190.78	
Notes and accounts payable		65,977,190.78	65,977,190.78
Interest payable	339,166.67	-339,166.67	
Dividends payable	383,540.92	-383,540.92	
Other payables	29,876,357.49	722,707.59	30,599,065.08
Long-term payables		99,370,000.00	99,370,000.00
Special payables	99,370,000.00	-99,370,000.00	

Affected items in the income statement of the Company	From January to June 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Loss on impairment of assets	-1,590,279.73	113,654.13	-1,476,625.60
Credit impairment loss		-113,654.13	-113,654.13
Net profit	34,352,097.03		34,352,097.03

XI. INFORMATION ON USE OF FUNDS RAISED

As approved in the Reply for Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing issued by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2015] No. 330), on 30 March 2015, the Company issued 42,559,089 A Shares in the par value of RMB1 each through private placement to 7 specific investors at an issue price of RMB37.78 each, raising net proceeds of RMB1,541,373,292.57.

In the first half of 2018, the Company utilised a total of RMB6,040,770.52 out of the total proceeds raised. As at 30 June 2018, the total utilised amount of proceeds raised was RMB1,541,373,292.57, and all of the proceeds raised had been utilised.

XII. CORPORATE GOVERNANCE

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

1. Corporate Governance

The Company kept improving its corporate governance structure in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations issued by the China Securities Regulatory Commission and the requirements of the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. To date, the Company's governance had no material difference from the Company Law and relevant regulations of the China Securities Regulatory Commission. Saved as disclosed below, during the six months ended 30 June 2018, the Company has applied the codes set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has complied with all the code provisions, except that for the purpose of Code Provision A.6.7 of the CG Code, Mr. Chen Zhongqian and Mr. Xiang Huiming, being executive Directors, Mr. Yang Li and Mr. Wang Guozhong, being non-executive Directors, and Mr. Song Dejin and Mr. Zhu Mingyou, being independent non-executive Directors, were unable to attend the first extraordinary general meeting of 2018 of the Company held on 12 February 2018 for work reason, and Mr. Chen Zhongqian, Mr. Xiang Huiming and Mr. Chen Ji, being executive Directors, Mr. Yang Li, being non-executive Director, and Mr. Min Weiguo and Mr. Liu Renhuai, being independent non-executive Directors, were unable to attend the annual general meeting of 2017 of the Company held on 29 May 2018 for work reason.

2. Securities Transactions by Directors

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

3. Meetings of the Board

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

In addition, the Audit Committee held five meetings to consider issues including the annual report of the Company for the year 2017, the report on the internal control review and the first quarterly report for the year 2018; the Emolument and Examination Committee held two meetings to consider the resolutions on the election of chairman of the Emolument and Examination Committee under the ninth session of the Board and the remuneration of the Directors, Supervisors and senior management of the Company for the year 2017; the Nomination Committee held one meeting to consider the resolutions on the election of chairman of the Nomination Committee under the ninth session of the Board and the nomination of management under the ninth session of the Board and securities representative of the Company. To date, the general meeting of the Company, the Board and the management performed their specific responsibilities and regulated corporate operation to ensure the true, accurate, complete, timely and fair disclosure of corporate information. Specialized committees of the Board carried out works in accordance with their respective duties, and independent non-executive Directors played an important role in the work of Board.

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

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

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(i) Statement of changes in shares

1. Statement of changes in shares

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

(ii) Changes in trade-restricted shares

Unit: Share

Name of shareholder	Number of shares subject to selling restriction at the beginning of the period	Number of shares with selling restriction removed during the Reporting Period	Number of shares subject to selling restriction imposed during the Reporting Period	Number of shares subject to selling restriction at the end of the Reporting Period	Reason for selling restriction	Date of removal of selling restriction
CSSC	272,099,300	272,099,300	0	0	Subscribed for A shares and undertook not to transfer within 36 months	9 April 2018
Total	272,099,300	272,099,300	0	0	/	/

II. SHAREHOLDERS

(1) Total number of shareholders:

Total number of ordinary shareholders at the end of the Reporting Period 65,510

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

(2) 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)	During the Reporting Period Change	Shareholding of top ten shareholders		Number of shares held subject to selling restriction	Pledged or locked up Share status	Number	Nature of shareholder
		Number of shares held at the end of the period	%				
HKSCC NOMINEES LIMITED	121,400	589,330,727	41.69	0	None	0	Overseas legal person
China State Shipbuilding Corporation Limited	0	501,745,100	35.50	0	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
Special securities account for agreed securities repurchase transactions of Soochow Securities Co., Ltd.	4,040,000	12,463,700	0.88	0	None	0	Others
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	1,197,000	8,640,058	0.61	0	None	0	Others
China Construction Bank Corporation – Penghua China Securities National Defense Index Grading Securities Investment Fund	-1,693,200	8,008,402	0.57	0	None	0	Others
Yangzhou Kejin Shipyard Co., Ltd.	0	6,500,000	0.46	0	Pledged	6,500,000	Domestic non-state-owned legal person
Xi'an Investment Holding Co., Ltd.	0	5,291,159	0.37	0	None	0	Domestic non-state-owned legal person
Golden Eagle Fund – ICBC – Golden Eagle Suitong No. 9 Asset Management Plan	0	5,187,179	0.37	0	None	0	Others

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Name of shareholder	Top ten shareholders of shares not subject to selling restrictions		Class and number of shares	
	Number of tradable shares held not subject to selling restrictions		Class	Number
HKSCC NOMINEES LIMITED	589,330,727	Overseas listed foreign shares		589,330,727
China State Shipbuilding Corporation Limited	501,745,100	Ordinary shares denominated in RMB		501,745,100
China Securities Finance Corporation Limited	26,008,443	Ordinary shares denominated in RMB		26,008,443
Central Huijin Asset Management Ltd.	15,126,100	Ordinary shares denominated in RMB		15,126,100
Special securities account for agreed securities repurchase transactions of Soochow Securities Co., Ltd.	12,463,700	Ordinary shares denominated in RMB		12,463,700
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	8,640,058	Ordinary shares denominated in RMB		8,640,058
China Construction Bank Corporation – Penghua China Securities National Defense Index Grading Securities Investment Fund	8,008,402	Ordinary shares denominated in RMB		8,008,402
Yangzhou Kejin Shipyard Co., Ltd.	6,500,000	Ordinary shares denominated in RMB		6,500,000
Xi'an Investment Holding Co., Ltd.	5,291,159	Ordinary shares denominated in RMB		5,291,159
Golden Eagle Fund – ICBC – Golden Eagle Suitong No. 9 Asset Management Plan	5,187,179	Ordinary shares denominated in RMB		5,187,179
Explanation on the relationship or acting in concert among the aforesaid shareholders				-
Explanation on shareholders of preference shares with restoration of voting rights and their shareholding				-

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

As at 30 June 2018, the following persons (other than directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “SFO”) or are required to be entered in the register to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of long positions held at the end of the period (share)	Capacity	Approximate shareholding percentage of issued H Shares (%)	Approximate shareholding percentage of issued A Shares (%)	Percentage of total issued share capital (%)
CSSC	A Shares	501,745,100 (L)	Beneficial owner	-	61.08	35.50
CSSC (Hong Kong) Shipping 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 30 June 2018.

SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGE IN SHAREHOLDING

(1) **Change in shareholding of current and former Directors, Supervisors and Senior Management Officers during the Reporting Period**

Unit: Share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change in the number of shares held during the Reporting Period	Reason for change
Wu Guangjun	Supervisors	0	300	300	Personal reason

Other information

On 9 July 2018, Mr. Wu Guangjun, chairman of the Supervisory Committee, purchased 300 A shares of the Company in the secondary market.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
Shi Jun	Non-executive Directors	Elected
Liu Renhuai	Independent non-executive Director	Elected
Yu Shiyou	Independent non-executive Director	Elected
Mai Rongzhi	Employee supervisor	Elected
Zhang Shan	Employee supervisor	Elected
Wang Guozhong	Non-executive Directors	Resigned
Song Dejin	Independent non-executive Director	Resigned
Zhu Mingyou	Independent non-executive Director	Resigned
Chen Shaolong	Employee supervisor	Resigned
Ding Qianfang	Employee supervisor	Resigned

Explanation for changes in Directors, Supervisors and Senior Management

On 12 February 2018, the Company held its first extraordinary general meeting of 2018 to elect members of the ninth session of the Board and the ninth session of the Supervisory Committee, of which Shi Jun was elected as a non-executive Director of the ninth session of the Board, Liu Renhuai and Yu Shiyou were elected as independent non-executive Directors of the ninth session of the Board, and Mai Rongzhi and Zhang Shan were elected as supervisors of the ninth session of the Supervisory Committee at the staff representative meeting of subsidiaries of the Company. Wang Guozhong retired as non-executive Director and Song Dejin and Zhu Mingyou retired as independent non-executive Directors of the eighth session of the Board due to expiry of their terms of office, and Chen Shaolong and Ding Qianfang retired as employee supervisors of the eighth session of the Supervisory Committee due to expiry of their terms of office.

III. OTHER EXPLANATIONS

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

As at 30 June 2018, the Company had not received any notice sent by any director, supervisor or senior management in accordance with section 341 of Securities and Futures Ordinance or the Model Code for Securities Transactions by Directors of Listed Issuers to the Company and the Hong Kong Stock Exchange, disclosing any equity or debt securities held by such director, supervisor or senior management or their spouses or children under 18 in the Company or any associated corporations (within the meaning of the SFO). No other interests have been recorded in the register, which is required in accordance with section 352 of the SFO. No directors, supervisors or senior management or their spouses or children under 18 had been granted or exercised any rights to subscribe any share or debts of the Company.

On 9 July 2018, Mr. Wu Guangjun, chairman of the Supervisory Committee, purchased 300 A shares of the Company in the secondary market.

(2) **Employees and remuneration policies**

The remuneration of the Group's employees includes salary, bonus and other benefit plans required by the State. The Group applies different rates of remuneration for different employees, which are determined based on their positions and performance pursuant to the relevant PRC laws and regulations. As at 30 June 2018, the Group had a total of 15,810 employees. During the period ended 30 June 2018, the remuneration paid by the Group to employees was RMB1,021 million in aggregate.

SECTION VIII FINANCIAL REPORT

I. FINANCIAL STATEMENTS

Consolidated Balance Sheet 30 June 2018

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand		9,572,863,937.77	12,005,275,747.16
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading		11,802,666.85	6,602,255.91
Derivative financial assets			
Notes and accounts receivable		1,833,938,194.21	1,698,395,336.48
Prepayments		3,318,755,708.93	2,475,182,224.91
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables		229,427,780.16	175,810,822.91
Financial assets purchased under agreements to resell			
Inventories		4,856,808,423.16	4,575,452,811.14
Contract assets		7,552,622,037.90	6,312,042,836.23
Assets held for sale			
Non-current assets due within one year		361,669,828.88	1,033,143,116.08
Other current assets		1,529,569,724.95	1,841,255,454.38
Total current assets		29,267,458,302.81	30,123,160,605.20
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables		1,558,548,222.38	460,059,537.09
Long-term equity investments		765,206,367.49	738,018,660.57
Investments in other equity instruments		42,131,036.85	44,726,104.08
Other non-current financial assets		70,000,000.00	-
Investment properties		21,937,007.60	22,251,363.68
Fixed assets		10,166,245,701.86	10,146,511,828.81
Construction in progress		692,815,884.33	635,119,267.47
Productive biological assets			
Oil and gas assets			
Intangible assets		1,859,649,401.42	1,884,667,938.27
Development expenses			
Goodwill			
Long-term prepaid expenses		14,115,824.00	14,954,894.47
Deferred tax assets		488,453,258.49	460,463,049.07
Other non-current assets		2,894,563.48	199,020,072.23
Total non-current assets		15,681,997,267.90	14,605,792,715.74
Total assets		44,949,455,570.71	44,728,953,320.94

SECTION VIII FINANCIAL REPORT

Consolidated Balance Sheet (Continued) 30 June 2018

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings		2,837,805,756.37	2,675,414,975.00
Loans from central bank			
Deposits from customers and other banks			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading		229,986,995.23	3,366,294.31
Derivative financial liabilities			
Notes and accounts payable		9,158,693,638.00	9,428,521,834.28
Advances from customers			
Contract liabilities		7,301,711,985.26	6,420,311,531.98
Securities sold under agreements to repurchase			
Fee and commission payable			
Employee benefits payable		37,885,183.11	32,198,622.63
Taxes payable		55,612,691.53	72,479,741.43
Other payables		204,177,505.44	247,686,095.31
Reinsured accounts payable			
Reserves for insurance contracts			
Brokerage for securities trading			
Brokerage for underwriting securities			
Liabilities held for sale			
Non-current liabilities due within one year		3,127,000,000.00	4,482,400,000.00
Other current liabilities		49,189,633.07	137,250,591.28
Total current liabilities		23,002,063,388.01	23,499,629,686.22
Non-current liabilities:			
Long-term borrowings		4,450,757,000.00	8,142,857,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables		348,175,330.11	363,119,760.23
Estimated liabilities		584,210,271.77	748,580,586.38
Deferred income		86,947,154.63	31,895,704.27
Deferred tax liabilities		8,720,366.65	7,408,073.82
Other non-current liabilities			
Total non-current liabilities		5,478,810,123.16	9,293,861,124.70
Total liabilities		28,480,873,511.17	32,793,490,810.92

SECTION VIII FINANCIAL REPORT

Consolidated Balance Sheet (Continued) 30 June 2018

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Owners' equity			
Share capital		1,413,506,378.00	1,413,506,378.00
Other equity instruments Including: Preference shares Perpetual bonds		8,060,590,421.75	6,868,230,515.41
Capital reserve		8,060,590,421.75	6,868,230,515.41
Less: Treasury shares		-31,397,234.50	-42,591,397.17
Other comprehensive income		1,584,498.11	2,010,677.96
Special reserve		1,584,498.11	2,010,677.96
Surplus reserve		962,441,825.31	962,441,825.31
Provision for general risks			
Undistributed profit		905,443,126.50	1,200,265,300.93
Total equity attributable to owners of the Company		11,312,169,015.17	10,403,863,300.44
Minority interests		5,156,413,044.37	1,531,599,209.58
Total owners' equity		16,468,582,059.54	11,935,462,510.02
Total liabilities and owners' equity		44,949,455,570.71	44,728,953,320.94

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Balance Sheet of the Company 30 June 2018

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand		91,690,265.56	513,258,307.19
Financial assets held-for-trading			
Derivative financial assets			
Notes and accounts receivable		42,012,102.84	34,915,043.87
Prepayments		3,816,922.11	1,861,905.00
Other receivables		16,307,061.98	9,532,248.57
Inventories		124,287,912.30	131,196,488.58
Contract assets			
Assets held for sale			
Non-current assets due within one year		159,000,000.00	650,000,000.00
Other current assets		381,806,415.98	282,058,591.92
Total current assets		818,920,680.77	1,622,822,585.13
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments		7,928,505,672.09	7,902,205,154.63
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		73,757,046.29	76,780,630.19
Construction in progress		790,366.14	-
Productive biological assets			
Oil and gas assets			
Intangible assets		10,630,378.32	10,792,029.90
Development expenses			
Goodwill			
Long-term prepaid expenses			2,344.24
Deferred tax assets		20,000,000.00	20,000,000.00
Other non-current assets		302,894,563.48	2,776,042.97
Total non-current assets		8,336,578,026.32	8,012,556,201.93
Total assets		9,155,498,707.09	9,635,378,787.06

SECTION VIII FINANCIAL REPORT

Balance Sheet of the Company (Continued) 30 June 2018

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings		100,000,000.00	100,000,000.00
Financial assets held-for-trading			
Derivative financial liabilities			
Notes and accounts payable		60,027,673.79	65,977,190.78
Advances from customers			
Contract liabilities		82,183,343.08	55,310,128.61
Employee benefits payable		-	1,611,226.23
Taxes payable		2,008,586.26	4,115,201.43
Other payables		37,807,521.82	30,599,065.08
Liabilities held for sale			
Non-current liabilities due within one year		9,000,000.00	500,000,000.00
Other current liabilities		-	-
Total current liabilities		291,027,124.95	757,612,812.13
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables		99,370,000.00	99,370,000.00
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		99,370,000.00	99,370,000.00
Total liabilities		390,397,124.95	856,982,812.13
Owners' equity:			
Share capital		1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		6,147,927,729.10	6,147,927,729.10
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		472,670,941.45	472,670,941.45
Undistributed profit		730,996,533.59	744,290,926.38
Total owners' equity		8,765,101,582.14	8,778,395,974.93
Total liabilities and owners' equity		9,155,498,707.09	9,635,378,787.06

Legal representative:
Han Guangde

Head of accounting department:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Consolidated Income Statement From January to June 2018

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Total operating income		8,219,935,619.41	10,417,531,197.45
Including: Operating income		8,219,935,619.41	10,417,531,197.45
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		8,901,386,647.68	10,422,769,520.14
Including: Operating costs		8,139,908,389.00	9,569,573,977.38
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		36,139,172.19	34,472,271.94
Selling expenses		27,945,686.04	82,600,434.36
Administrative expenses		359,944,871.91	376,333,475.94
Research and development expenses		183,184,126.04	147,018,458.15
Finance cost		63,129,150.76	198,463,829.73
Including: Interest expenses		137,501,934.99	190,480,197.43
Interest income		106,540,470.69	113,527,866.70
Loss on impairment of assets		80,048,917.97	18,310,217.17
Credit impairment loss		11,086,333.77	-4,003,144.53
Add: Other income		5,142,870.30	20,209,210.99
Investment income			
(loss expressed with "-")		20,435,829.95	26,917,017.63
Including: Income from investment in associates and joint ventures		-4,676,326.34	310,227.63
Net gain on exposure hedging			
(loss expressed with "-")			
Gain on change in fair value			
(loss expressed with "-")		-221,420,289.98	-655,224.92
Gain on disposal of assets			
(loss expressed with "-")			
Exchange gain			
(loss expressed with "-")			
III. Operating profit (loss expressed with "-")		-877,292,618.00	41,232,681.01
Add: Non-operating income		564,253,482.08	22,812,890.90
Less: Non-operating expenses		57,365,100.00	977,913.09
IV. Total profit (loss expressed with "-")		-370,404,235.92	63,067,658.82
Less: Income tax expense		-32,894,664.43	11,111,662.08
V. Net profit (net loss expressed with "-")		-337,509,571.49	51,955,996.74
(i) By continuity of operations			
1. Net profit from continuing operations			
(net loss expressed with "-")		-337,509,571.49	51,955,996.74
2. Net profit from discontinued operations			
(net loss expressed with "-")			
(ii) By ownership			
1. Net profit attributable to owners of the Company		-294,982,112.04	43,972,225.89
2. Gain or loss attributable to minority interests		-42,527,459.45	7,983,770.85

SECTION VIII FINANCIAL REPORT

Consolidated Income Statement (Continued) From January to June 2018

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
VI. Net other comprehensive income after tax		-2,300,574.80	213,038.28
Net other comprehensive income after tax attributable to owners of the Company		-4,018,109.53	213,038.28
(i) Other comprehensive income that may not be subsequently reclassified to profit or loss		-2,271,924.51	213,038.28
1. Change in remeasurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method			
3. Change in fair value of investments in other equity instruments		-2,271,924.51	213,038.28
4. Change in fair value of own credit risk			
(ii) Other comprehensive income that may be subsequently reclassified to profit or loss		-1,746,185.02	
1. Other comprehensive income that may be reclassified to profit or loss under equity method		-120,904.30	
2. Share of other comprehensive income of investees that may be subsequently reclassified to profit or loss under equity method			
3. Change in fair value of other debt investments			
4. Amount included in other comprehensive income on reclassification of financial assets			
5. Provision for credit impairment of other debt investments			
6. Cash flows hedging reserve			
7. Exchange differences arising from translation of foreign currency financial statements		-1,625,280.72	
Net other comprehensive income after tax attributable to minority interests		1,717,534.73	
VII. Total comprehensive income		-339,810,146.29	52,169,035.02
Total comprehensive income attributable to owners of the Company		-299,000,221.57	44,185,264.17
Total comprehensive income attributable to minority interests		-40,809,924.72	7,983,770.85
VIII. Earnings per share:			
(i) Basic earnings per share (RMB/share)		-0.2087	0.0311
(ii) Diluted earnings per share (RMB/share)		-0.2087	0.0311

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Income Statement of the Company From January to June 2018

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Operating income		82,239,576.72	66,553,456.71
Less: Operating costs		91,645,798.74	63,904,733.06
Taxes and surcharges		851,127.95	1,254,364.46
Selling expenses		2,434,118.29	1,911,015.90
Administrative expenses		8,623,652.56	7,091,310.02
Research and development expenses			
Finance cost		-11,803,521.19	-1,554,849.01
Including: Interest expenses		2,282,026.39	6,940,326.41
Interest income		14,887,597.24	7,449,193.41
Loss on impairment of assets			-1,476,625.60
Credit impairment loss		52,178.31	-113,654.13
Add: Other income			8,123,700.00
Investment income (loss expressed with "-")		-3,699,482.54	29,280,048.42
Including: Income from investment in associates and joint ventures		-3,699,482.54	
Net gain or loss on exposure hedging (loss expressed with "-")			
Gain on change in fair value (loss expressed with "-")			
Gain on disposal of assets (loss expressed with "-")			
II. Operating profit (loss expressed with "-")		-13,263,260.48	32,940,910.43
Add: Non-operating income			1,411,197.30
Less: Non-operating expenses		31,132.31	10.70
III. Total profit (loss expressed with "-")		-13,294,392.79	34,352,097.03
Less: Income tax expense			
IV. Net profit (net loss expressed with "-")		-13,294,392.79	34,352,097.03
1. Net profit from continuing operations (net loss expressed with "-")		-13,294,392.79	34,352,097.03
2. Net profit from discontinued operations (net loss expressed with "-")			
V. Net other comprehensive income after tax			
(i) Other comprehensive income that may not be subsequently reclassified to profit or loss			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that may not be subsequently reclassified to profit and loss under equity method			
(ii) Other comprehensive income that may be subsequently reclassified to profit or loss			
1. Share of other comprehensive income of investees that 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		-13,294,392.79	34,352,097.03
VII. Earnings per share:			
(i) Basic earnings per share (RMB/share)			
(ii) Diluted earnings per share (RMB/share)			

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Consolidated Cash Flow Statement From January to June 2018

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		7,179,383,806.85	7,271,887,341.46
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		699,116,247.12	402,960,347.59
Other cash receipts relating to operating activities		297,773,715.32	254,225,574.85
Sub-total of cash inflows from operating activities		8,176,273,769.29	7,929,073,263.90
Cash paid for goods and services		9,114,882,456.44	10,111,095,161.94
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		873,232,934.42	970,897,488.59
Payments of taxes		71,080,292.88	137,822,452.34
Other cash payments relating to operating activities		640,884,034.88	481,526,701.54
Sub-total of cash outflows from operating activities		10,700,079,718.62	11,701,341,804.41
Net cash flows from operating activities		-2,523,805,949.33	-3,772,268,540.51
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		701,000,000.00	301,875,000.00
Cash receipts from investment income		19,089,809.90	37,947,951.72
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		382,308.97	1,253,405.36
Net cash received from disposal of subsidiaries and other business units		60,448.29	
Other cash receipts relating to investing activities		515,870,456.93	847,591,065.74
Sub-total of cash inflows from investing activities		1,236,403,024.09	1,188,667,422.82
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		334,832,336.66	306,994,349.87
Cash paid for investments		37,001,000.00	
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities		2,192,563,721.90	154,390,247.43
Sub-total of cash outflows from investing activities		2,564,397,058.56	461,384,597.30
Net cash flows from investing activities		-1,327,994,034.47	727,282,825.52

SECTION VIII FINANCIAL REPORT

Consolidated Cash Flow Statement (Continued) From January to June 2018

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
III. Cash flows from financing activities:			
Cash receipts from receiving investments		4,800,000,000.00	
Including: Cash received by subsidiaries from receiving investments made by minority interests		4,800,000,000.00	
Cash receipts from borrowings obtained		3,033,008,500.00	5,018,453,847.68
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities		77,500,000.00	105,240,000.00
Sub-total of cash inflows from financing activities		7,910,508,500.00	5,123,693,847.68
Cash paid for repayment of debts		7,960,650,316.47	5,152,275,425.40
Cash paid for dividends, profit distribution or interest expenses		156,481,055.51	199,630,423.87
Including: Dividends and profits paid by subsidiaries to minority interests		61,526.88	
Other cash payments relating to financing activities			75,000.00
Sub-total of cash outflows from financing activities		8,117,131,371.98	5,351,980,849.27
Net cash flows from financing activities		-206,622,871.98	-228,287,001.59
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-5,749,219.44	-30,843,334.36
V. Net increase in cash and cash equivalents		-4,064,172,075.22	-3,304,116,050.94
Add: Beginning balance of cash and cash equivalents		11,430,546,720.41	9,885,435,368.48
VI. Ending balance of cash and cash equivalents		7,366,374,645.19	6,581,319,317.54

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Cash Flow Statement of the Company From January to June 2018

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		111,009,558.75	93,354,275.36
Cash received from tax refund			
Other cash receipts relating to operating activities		8,983,184.27	16,330,002.90
Sub-total of cash inflows from operating activities		119,992,743.02	109,684,278.26
Cash paid for goods and services		86,368,622.84	95,216,606.45
Cash paid to and on behalf of employees		13,733,025.10	16,936,130.29
Payments of taxes		2,153,426.93	4,906,016.86
Other cash payments relating to operating activities		19,464,265.64	16,645,625.02
Sub-total of cash outflows from operating activities		121,719,340.51	133,704,378.62
Net cash flows from operating activities		-1,726,597.49	-24,020,100.36
II. Cash flows from investing activities:			
Cash receipts from disposal of investments			
Cash receipts from investment income			29,280,048.42
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		505,019,623.61	507,073,937.51
Sub-total of cash inflows from investing activities		505,019,623.61	536,353,985.93
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		570,972.49	27,791.80
Cash paid for investments		30,000,000.00	
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities		400,000,000.00	300,000,000.00
Sub-total of cash outflows from investing activities		430,570,972.49	300,027,791.80
Net cash flows from investing activities		74,448,651.12	236,326,194.13
III. Cash flows from financing activities:			
Cash receipts from receiving investments			
Cash receipts from borrowings obtained			300,000,000.00
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		491,000,000.00	300,000,000.00
Cash paid for repayment of debts		491,000,000.00	500,000,000.00
Cash paid for dividends, profit distribution or interest expenses		2,642,689.99	7,280,361.36
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		493,642,689.99	507,280,361.36
Net cash flows from financing activities		-493,642,689.99	-207,280,361.36
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-647,405.27	-528,786.42
V. Net increase in cash and cash equivalents		-421,568,041.63	4,496,945.99
Add: Beginning balance of cash and cash equivalents		513,258,307.19	88,028,234.52
VI. Ending balance of cash and cash equivalents		91,690,265.56	92,525,180.51

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Consolidated Statement of Changes in Owners' Equity From January to June 2018

Unit: Yuan Currency: RMB

Item	Current period												Total owners' equity
	Equity attributable to owners of the Company												
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Minority interest	
Share capital	Preference shares	Perpetual bonds	Others										
I. Balance at the end of the previous year	1,413,506,378.00			6,888,230,515.41		-60,327,829.23	2,010,677.96	982,441,825.31			1,228,681,091.09	1,531,599,209.58	11,946,141,868.12
Add: Changes in accounting policies						17,736,432.06					-28,415,790.16		-10,679,358.10
Correction of previous errors													
Business combination under common control													
Others													
II. Balance at the beginning of the year	1,413,506,378.00			6,888,230,515.41		-42,591,397.17	2,010,677.96	982,441,825.31			1,200,265,300.93	1,531,599,209.58	11,935,492,510.02
III. Increase/decrease for the period (Decrease expressed with "-")				1,192,359,906.34		11,194,162.67	-426,179.85				-294,822,174.43	3,624,813,834.79	4,533,119,549.52
(I) Total comprehensive income						-4,018,109.53					-294,982,112.04	-40,809,924.72	-339,810,146.29
(II) Capital paid in and reduced by owners				1,192,359,906.34		15,372,209.81	-384,942.44					3,670,279,980.91	4,877,627,154.62
1. Ordinary shares paid by shareholders												4,877,500,000.00	4,877,500,000.00
2. Capital paid by holders of other equity instruments													
3. Amount of share-based payments recognised in owners' equity													
4. Others				1,192,359,906.34		15,372,209.81	-384,942.44						127,154.62
(III) Profit distribution												-4,763,465.44	-4,763,465.44
1. Transfer to surplus reserve													
2. Transfer to general reserve													
3. Distribution to owners (shareholders)												-4,736,000.00	-4,736,000.00
4. Others												-27,465.44	-27,465.44
(IV) Transfer within owner's equity											159,937.61		
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Transfer to retained earnings arising from change in defined benefit plans													
5. Transfer from other comprehensive income to retained earnings													
6. Others													
(V) Special reserve													
1. Transfer in the current period													
2. Utilised in the current period													
(VI) Others													
IV. Balance at the end of the current period	1,413,506,378.00			8,080,590,421.75		-31,397,234.50	1,584,498.11	982,441,825.31			906,443,126.50	5,156,413,044.37	16,468,592,059.54

SECTION VIII FINANCIAL REPORT

Consolidated Statement of Changes in Owners' Equity (Continued) From January to June 2018

Unit: Yuan Currency: RMB

Item	Previous period												
	Equity attributable to owners of the Company												Total owners' equity
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Undistributed profit	Minority interest	
Share capital	Other equity instruments	Capital reserve	Others										
I. Balance at the end of the previous year	1,413,506,378.00			6,867,866,279.63		-60,441,217.45	929,231.60	952,284,741.72		1,173,657,685.44	62,896,345.75	10,410,799,444.69	
Add: Changes in accounting policies													
Correction of previous errors													
Business combination under common control													
Others													
II. Balance at the beginning of the year	1,413,506,378.00			6,867,866,279.63		-60,441,217.45	929,231.60	952,284,741.72		1,173,657,685.44	62,896,345.75	10,410,799,444.69	
III. Increase/decrease for the period (Decrease expressed with "-")													
(i) Total comprehensive income						213,038.28	3,028,887.23			21,356,123.84	1,397,217,715.11	1,421,815,764.46	
(ii) Capital paid in and reduced by owners						213,038.28				43,972,225.89	7,983,770.85	52,169,035.02	
1. Ordinary shares paid by shareholders											1,394,949,944.26	1,394,949,944.26	
2. Capital paid by holders of other equity instruments													
3. Amount of share-based payments recognised in owners' equity													
4. Others													
(iii) Profit distribution										-22,616,102.05	-5,716,000.00	-28,332,102.05	
1. Transfer to surplus reserve													
2. Transfer to general reserve													
3. Distribution to owners (shareholders)													
4. Others													
(iv) Transfer within owner's equity													
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Transfer to retained earnings arising from change in defined benefit plans													
5. Transfer from other comprehensive income to retained earnings													
6. Others													
(v) Special reserve							3,028,887.23					3,028,887.23	
1. Transfer in the current period							23,490,675.48					23,490,675.48	
2. Utilised in the current period							20,461,888.25					20,461,888.25	
(vi) Others													
IV. Balance at the end of the current period	1,413,506,378.00			6,867,866,279.63		-60,228,179.17	3,958,118.83	952,284,741.72		1,195,013,809.28	1,460,214,060.86	11,832,615,209.15	

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Statement of Changes in Owners' Equity of the Company From January to June 2018

Unit: Yuan Currency: RMB

Item	Other equity instruments					Current period					
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
I. Balance at the end of the previous year	1,413,506,378.00				6,147,927,729.10				472,670,941.45	744,290,926.38	8,778,395,974.93
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Balance at the beginning of the year	1,413,506,378.00				6,147,927,729.10				472,670,941.45	744,290,926.38	8,778,395,974.93
III. Increase/decrease for the period (Decrease expressed with "-")											
(i) Total comprehensive income										-13,294,392.79	-13,294,392.79
(ii) Capital paid in and reduced by owners										-13,294,392.79	-13,294,392.79
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											
1. Transfer to surplus reserve											
2. Distribution to owners (shareholders)											
3. Others											
(iv) Transfer within owner's equity											
1. Capitalisation of capital reserve (or share capital)											
2. Capitalisation of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer in the current period											
2. Utilised in the current period											
(vi) Others											
IV. Balance at the end of the current period	1,413,506,378.00				6,147,927,729.10				472,670,941.45	730,996,533.59	8,765,101,582.14

SECTION VIII FINANCIAL REPORT

Statement of Changes in Owners' Equity of the Company (Continued) From January to June 2018

Unit: Yuan Currency: RMB

Item	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Balance at the end of the previous year	1,413,506,378.00				6,147,927,729.10				462,411,586.54	674,572,834.25	8,698,418,527.89
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Balance at the beginning of the year	1,413,506,378.00				6,147,927,729.10				462,411,586.54	674,572,834.25	8,698,418,527.89
III. Increase/decrease for the period (Decrease expressed with "-")											
(i) Total comprehensive income										11,735,994.98	11,735,994.98
(ii) Capital paid in and reduced by owners										34,352,097.03	34,352,097.03
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amount of share-based payments recognised in owners' equity											
4. Others											
(iii) Profit distribution										-22,616,102.05	-22,616,102.05
1. Transfer to surplus reserve											
2. Distribution to owners (shareholders)											
3. Others											
(iv) Transfer within owner's equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer in the current period											
2. Utilised in the current period											
(vi) Others											
IV. Balance at the end of the current period	1,413,506,378.00				6,147,927,729.10				462,411,586.54	666,308,832.23	8,710,154,522.87

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

I. BACKGROUND INFORMATION

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

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

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

Based on the approval of Guangzhou Shipyard International Company Limited to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company completed on 11 February 2014 the issuance of 345,940,890, 31,134,680 and 10,378,227 H Shares with face value of RMB1 per share to CSSC (Hong Kong) Shipping Company Limited (“CSSC HK”), Baosteel Resources International Co., Ltd. (“Baosteel International”) and China Shipping (H.K.) Holdings Co., Ltd. (“China Shipping HK”), respectively. All issued shares are ordinary shares, and the registered capital has been therefore increased to RMB1,030,534,651.

According to the Replies on Approval of Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing (Zheng Jian Xu Ke [2015] No. 330) issued by the China Securities Regulatory Commission, on 8 April 2015, the Company placed 272,099,300 ordinary shares of RMB1 each to China State Shipbuilding Corporation (currently renamed as China State Shipbuilding Corporation Limited) (“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 Kejinn Shipyard Co., Ltd. for purchase of its relevant shipbuilding business assets; and placed 42,559,089 ordinary shares of RMB1 each to 7 specific investors. The registered capital upon change is RMB1,413,506,378.

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

On 29 December 2015, the Company received a new business license issued by Guangzhou Administration for Industry and Commerce (uniform social credit code: 91440101190499390U), with legal representative 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.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group includes the Company and its 23 subsidiaries, including: Guangzhou Shipyard International Company Limited (“GSI”), Guangzhou Longxue Pipe Co., Ltd. (“Longxue Pipe”), Guangzhou Xingshun Marine Services Co., Ltd. (“Xingshun”), Guangzhou United Steel Structures Limited (“United Steel”), Guangdong GSI Elevator Co., Ltd. (“GSI Elevator”), Guangzhou Hongfan Computer 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 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”). The number of subsidiaries decreased by one compared to last year as Guangzhou Longxue Properties Co., Ltd. was liquidated during the period.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of preparation

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

(2) Going concern

The management of the Company has assessed its ability to operate on a continuing basis for the 12 months from 30 June 2018 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

6. Preparation of consolidated financial statements

The scope of consolidated financial statements includes the Company and 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, gain or loss attributable to minority interests, 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 earnings at the beginning of the comparative period and profit or loss for current period.

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

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

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the capital premium or 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

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

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, 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 directly included in 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 period.
- 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 period. The effect of changes in exchange rates on cash is presented separately in the statement of cash flows.

10. Financial instruments

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

Based on the business model under which the Group manages assets and the characteristics of contractual cash flows of financial assets, the Group divides financial assets into financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Group classifies financial assets which meet the following conditions and are not designated as financial assets at fair value through profit or loss into financial assets at amortised cost: (i) the Group manages the financial asset under a business model the objective of which is to receive contractual cash flows; (ii) the contractual terms of the financial asset provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal.

The Group classifies financial assets which meet the following conditions and are not designated as financial assets at fair value through profit or loss into financial assets at fair value through other comprehensive income: (i) the Group manages the financial asset under a business model the objective of which is to both receive contractual cash flows and sell such financial asset; (ii) the contractual terms of the financial asset provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal.

The Group designates equity instruments not held for trading as financial assets at fair value through other comprehensive income.

The Group classifies all financial assets other than financial assets at amortised cost and financial assets at fair value through other comprehensive income into financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

2) *Measurement of financial assets*

The Group initially measures all financial assets and financial liabilities at fair value. For financial assets and financial liabilities at fair value through profit or loss, the relevant transaction cost is directly included in profit or loss. For other financial assets or financial liabilities, the relevant transaction cost is included in the amount initially recognised. In initial measurement of accounts receivable recognised for transactions subject to the Accounting Standard for Business Enterprises No. 14 – Revenue, the Group did not consider significant financing components within the meaning of the Accounting Standard for Business Enterprises No. 14 – Revenue, nor did it consider the financing components of contracts or no more than one year.

Financial assets at amortised cost (not involved in any hedging relationships) are subsequently measured at amortised cost, and any resulting gains or losses are recognised in profit or loss in the case of amortisation, recognition of impairment and derecognition under the effective interest method.

Financial assets at fair value through other comprehensive income (other than investment in equity instruments not held for trading designated by the Group as at fair value through other comprehensive income) are subsequently measured at fair value. Their relevant gains or losses are included in other comprehensive income, save for the interest, impairment loss and exchange gains or losses under the effective interest method which are included in profit or loss.

Investments in equity instruments not held for trading at fair value through other comprehensive income are subsequently measured fair value. Dividends received (other than those recovered in part as investment cost) are included in profit or loss, and other relevant gains or losses (including exchange gains or losses) are included in other comprehensive income.

Financial assets at fair value through profit or loss are subsequently measured at fair value, and resulting gains or losses (including interest and dividend income) are included in profit or loss.

3) *Derecognition of financial assets*

The Group derecognises financial assets if any of the following conditions is met: (1) the contractual right to receive cash flows from the financial asset expires, (2) the financial asset has been transferred and the Group has transferred substantially all risks and rewards relating to the financial asset to the transferee, (3) the financial asset has been transferred to the transferee, and the Group has not transferred or retained substantially all risks and rewards relating to the financial asset, nor does it maintain the control over the financial asset.

For the transfer of a financial asset, if the Group has not transferred or retained substantially all risks and rewards relating to the financial asset and has maintain the control over the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability.

In case the overall transfer of the financial asset meets the criteria for de-recognition, the difference between the carrying amount of financial asset being transferred and the sum of the consideration received and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part (the contractual terms of the financial asset provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal) is charged to profit or loss for the period.

In case where the transfer of 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 to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the sum of 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 (the contractual terms of the financial asset provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal) and the aforesaid allocated overall carrying amount of the financial asset is charged to profit or loss for the period.

For investments in equity instruments not held for trading designated as financial assets at fair value through other comprehensive income, upon derecognition of the financial assets, the accumulated gains or losses previously included in other comprehensive income were transferred to retained earnings from other comprehensive income.

(2) **Financial liabilities**

1) *Classification of financial liabilities*

The Group classifies financial liabilities into financial liabilities at amortised cost, save for the following: (i) financial liabilities at fair value through profit or loss, including financial liabilities held for trading (including derivatives within the scope of financial liabilities) and financial liabilities designated at fair value through profit or loss. (ii) financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets. (iii) financial guarantee contracts not falling under (i) or (ii) above, and loan commitments at a rate lower than market rate not falling under (i) above.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

2) *Measurement of financial liabilities*

Financial liabilities at fair value through profit or loss are subsequently measured at fair value.

The Group measures financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets in accordance with the relevant requirements of the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets.

Financial guarantee contracts not falling under financial liabilities designated at fair value through profit or loss or loan commitments at a rate lower than market rate not designated as at fair value through profit or loss issued by the Group are, upon initial recognition, measured at the higher of the balance after deducting the impairment loss determined in accordance with the principles for impairment of financial instruments (set out in Note IV.10.(4)) and the accumulated amortisation determined in accordance with the relevant requirements of the Accounting Standard for Business Enterprises No. 14 – Revenue from the initially recognised amount.

Other financial liabilities other than above are subsequently measured at amortised cost.

3) *Conditions for derecognition of financial liabilities*

The Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. 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 inputs 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. In measuring fair value using valuation techniques, the Group uses level 1 inputs for the shares of listed companies held, level 2 inputs for forward exchange contracts, and level 3 inputs for investments in other equity instruments in non-listed companies. 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.

(4) **Impairment of financial instruments and accounting method**

The Group accounts for and recognises loss allowance for the following based on expected credit losses: (i) financial assets at amortised cost (including receivables); (ii) financial assets at fair value through other comprehensive income (other than investments in equity instruments not held for trading designated as financial assets at fair value through other comprehensive income); (iii) lease receivables; (iv) contract assets; (v) loan commitments made by the Group (other than financial liabilities at fair value through profit or loss); (vi) financial guarantee contracts not falling under designated as financial liabilities designated at fair value through profit or loss.

The expected credit losses model is not applicable to other financial assets measured fair value held by the Group, including financial assets at fair value through profit or loss and investments in equity instruments not held for trading at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

1) *Measurement of impairment of financial instruments*

The detailed methods of recognition of loss allowance of the Group are as follows:

1. if the credit risk on a financial instrument has increased significantly since initial recognition, the Group shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses.
2. if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for the financial instrument at an amount equal to 12-month expected credit losses.
3. if the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous accounting period, but at the current balance sheet date the financial instrument is no longer the case of significant increase in credit risk since initial recognition, the Group shall measure at the current balance sheet date the loss allowance at an amount equal to 12-month expected credit losses.

2) *Assessment of significant increase in credit risk*

The Group determines at the balance sheet date whether the credit risk of a financial instrument has increased significantly by comparing the probability of default over the expected life of the financial instrument determined at the balance sheet date and the probability of default over the expected life of the financial instrument determined at initial recognition.

In determining the level of credit risk of a financial instrument, the Group considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The factors considered include: (1) a significant change in internal price indicators of credit risk as a result of a change in credit risk since inception; (2) a significant change in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date because of changes in the credit risk of the financial instrument since initial recognition; (3) a significant change in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life, which include, but are not limited to the credit spread, the credit default swap prices for the borrower, the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost, and other market information related to the borrower; (4) an actual or expected significant change in the financial instrument's external credit rating; (5) an actual or expected internal credit rating downgrade for the borrower; (6) an existing or expected adverse change in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations; (7) an actual or expected significant change in the operating costs of the borrower; (8) significant increases in credit risk on other financial instruments of the same borrower. (9) a significant adverse change in the regulatory, economic, or technological environment of the borrower; (10) a significant change in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; (11) a significant change in the quality of the guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion; (12) a significant change that is expected to reduce the borrower's economic incentive to make scheduled contractual payments; (13) an expected change in the borrower's expected performance and repayment behaviour; (14) a change in the Group's credit management approach in relation to the financial instrument; (15) overdue information. If separate or collective prospective information other than reasonable and supportable cannot be obtained without undue additional cost or efforts, overdue information may be adopted to determine whether there has been a significant increase in credit risk since initial recognition.

Normally, if a contractual payment has been overdue for no less than 30 days, the Group determines that the credit risk of the financial instrument has significantly increased, unless the Group is able to obtain reasonable and supportable information at a reasonable cost and prove that the credit risk has not increased significantly even it has been overdue for over 30 days.

Depending on the nature of the financial instruments, the Group performs an assessment of a significant increase in credit risk on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings, so that the assessment can be more reasonable and timely identify the significant increase in credit risk. The shared credit risk characteristics adopted by the Group mainly include the types of financial instruments, the types of collaterals, remaining contractual term, enterprise nature and relationship.

3) *Financial instruments with low credit risk*

If the financial instrument has a low risk of default, the borrower has a strong ability to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations, the credit risk on a financial instrument is considered low, and its credit risk has not significantly increased since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

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

4) *Receivables, lease receivables and contract assets*

The Group always measures the loss allowance of accounts receivable, lease receivables and contract assets which do not contain significant financing components at the amount equal to the lifetime expected credit losses. The Group calculates expected credit losses of these financial assets based in its experience in historic credit loss, adjusted by the factors specific to debtors at the balance sheet date and the assessment of current situations and projection of future economic conditions.

For details of measurement of impairment of receivables and lease receivables, please refer to Note IV.11.

For contract assets arising from the Group's normal performance of contracts, if contractual payment is no more than 30 days past due, the Group determines that there is no difference between the cash flows receivable for the contract and the cash flows expected to be received. If contractual payment is no less than 30 days past due, the Group recognises provision for impairment of contract assets at the lifetime expected credit loss of contract assets.

5) *Presentation of expected credit loss allowance*

In order to reflect the changes in credit risks of financial instruments since initial recognition, the Group remeasures the expected credit losses of financial instruments (or financial instrument portfolios) at each balance sheet date, and resulting increase in or reversal of loss allowance is included in profit or loss as impairment losses or gains. For financial assets at amortised cost, the loss allowance reduces the carrying value of the financial assets stated in the balance sheet; for debt investments at fair value through other comprehensive income, the Group recognises their loss allowance in other comprehensive income, without reducing the carrying value of the financial assets.

6) *Writing-off of credit impaired financial assets*

If the Group incurs credit impairment and determines that the relevant financial assets are unrecoverable, subject to the approval for writing off, the carrying value of the financial assets are directly reduced. If a financial asset is recovered after provision has been made, the impairment loss is reversed and included in profit or loss.

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 receivables into those without provision for bad debts and those with provision for bad debts. Receivables of companies in the scope of consolidation do not make for bad debts. 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 the provision for bad debts is made on an individual basis*

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

At balance sheet date, the Group assesses the significant receivables individually for impairment, and recognises the amount of credit impairment loss at the difference between discounted present value of cash flow expected to receive and the carrying amount, recording for bad debts.

(2) *Accounts receivable which are individually insignificant but for which the provision for bad debts is made on an individual basis*

The Group determines receivables which are insignificant on an individual basis and have an ageing of over one year and other accounts receivable which are insignificant on an individual basis but have been credit impaired (phase 3) to be accounts receivable which are insignificant on an individual basis but for which the provision for bad debts is made separately. If there has been impairment following testing, the credit impairment loss is determined based on the difference between the cash flows expected to be recoverable and the carrying values, and provision for bad debts is made.

(3) *Receivables for which the provision for bad debts is made on a collective basis*

The provision is made on individual receivables with no for bad debts 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-value consumables, work-in-process inventories, finished goods and contract performance cost (construction projects).

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 and packages are amortised in full when received for use.

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

13. Long-term equity investments

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

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 equity 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 joint ventures and associates 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 equity 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 other 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 recognised amount. At the end of the period, the Group separately carries out impairment test for long-term receivables, and the credit 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 and structures, which are measured through the cost pattern.

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

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

16. Fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or rendering of services, leasing to others, or for administrative purposes; have useful life over one accounting year.

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

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

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

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

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

17. Construction in progress

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed.

18. Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can reached usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalization starts; When construction or assets that fulfill 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 fulfill 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 are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into related assets and current profit and loss. The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

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

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

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

Expenditure on the research phase is 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;

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- 3) The method under which the intangible asset generates economic benefits, including there is evidence that there is market for the products produced from the intangible asset or the intangible asset itself, and that the intangible asset is useful if for internal use;
- 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 salaries

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

Short-term compensation mainly include: 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, which mainly include basic pension insurance and unemployment insurance and are classified into defined contribution plans and defined benefit plans in view of the risks and obligations borne by the Company. For defined contribution plans, contributions made to a separate entity as at balance sheet date in exchange for the services provided by employees during the accounting period, are included in current profit or loss or the cost of relevant assets based on the beneficiary.

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

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 relevant 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.

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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 fulfillment 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 production safety fees and usage (Cai Qi [2012] No.16), the Group's shipbuilding companies and supporting manufacturing enterprises should standardize the production safety fees accrual and usage.

The accrued production safety fees were charged into the product's cost, and specific reserves. When writing off production safety fees within specified range, it should directly write off specific reserves when accounted for as expenses; If capitalizing production 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 subsequent periods.

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

25. Principles for recognition of and methods for measurement of revenue

(1) Principles for recognition of revenue

At the effective date of contract, the Group shall assess the contract, identify each of the performance obligations in the contract, as well as ensure whether each of the performance obligations is to be fulfilled over time or at a particular point of time, and subsequently confirm the revenue accordingly upon the complete fulfilment of each of the performance obligations.

The performance obligations are discharged over time if any of the following condition has been met, otherwise are discharged at a particular point of time. (i) customers obtain and consume the economic benefits from the performance by the Group of its obligations at the time of performance; (ii) customers are able to control the goods under development in the process of performance by the Group of its obligations; (iii) the goods generated in the course of performance by the Group of its obligations has irreplaceable use and the Group has the right to receive payment for the part of obligations which have been performed during the whole contractual term.

For the performance obligations to be fulfilled over time, the Group recognises revenue based on the performance progress during such period. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated is recognised as revenue, until the performance progress can be reasonably determined.

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For the performance obligations to be fulfilled at a point in time, the Group recognises revenue at contractual price when the customer has obtained the control over the relevant goods. In determining whether customers have obtained control over goods, the Group considers the following: (i) whether the Group has the existing right to receive payment for the goods; (ii) whether the Group has transferred the legal ownership of the goods to customers; (iii) whether Group has physically delivered the goods to customers; (iv) whether the Group has transferred the major risks and rewards relating to the ownership of goods to customers; (v) whether the customers have accepted the goods; (vi) other indications that customers have obtained control over the goods.

(2) *Methods of 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 Group operates shipbuilding and offshore engineering product business. It assesses contracts at their effective dates and determines whether the relevant contract performance obligations meet the condition to "performance over time".

For contracts meeting the condition to "performance over time", the Group recognises revenue based on the performance progress during such period. The Group adopts the input method to determine the appropriate progress of performance, which is determined by the total actual contract cost incurred in proportion to the total estimated contract cost. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated for is recognised as revenue, until the performance progress can be reasonably determined. If the incurred cost is expected to be unrecoverable, it is recognised as expense upon occurrence, without recognising revenue.

When the revenue from a contract can be estimated reliably, contract-related economic benefits could probably flow into the Group, the incurred contract cost can be clearly identified and reliably measured, and the percentage of completion and estimated future costs could be reliably measured, the outcome of a contract is deemed to be reasonably foreseeable and the performance progress can be reasonably determined. For long-term shipbuilding and offshore engineering product contracts, in case of first-made ships, the outcome of the contract is reasonably foreseeable when the performance progress reaches 50%; and in case of non-first made ships under bulk production, the outcome of the contract is reasonably foreseeable when the performance progress reaches 30%.

If the condition to "performance over time" is not met, the Group recognises revenue based on the transaction price specified in the contract or ship delivery documents when the ships and offshore engineering products are completed and delivered.

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 the date of recognition of accounts receivable. 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.

2) *Ship repair*

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

3) *Steel structures and electromechanical products*

For the manufacturing and installation contracts for large steel structures provided by the Group, if they meet the condition to "performance over time", the Group recognises their revenue based on performance progress during such period. The performance progress is determined using the input method, based on the percentage of total accumulated incurred contract cost to total expected contract cost. For the steel structure manufacturing and delivery contracts not meeting the condition to "performance over time", the Group recognises revenue according to workload confirmation after the steel structures are completed and delivered to customers, pass inspections and are accepted by customers.

Revenue from electromechanical products provided by the Group is recognised upon completion and delivery.

4) *Transfer of asset use rights*

Royalty income from transfer of asset use rights is and calculated and determined in accordance with the period and method of charging set out in the relevant contracts or agreements and recognised during the period during which the services are provided.

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5) *Dividend income*

The Group recognises dividend income when the right to receive dividends has been established, the economic benefits relating to dividends will probably flow into the Group and the amount of dividends can be reliably measured.

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. Contract cost

Contract cost includes contract performance cost and contract acquisition cost.

(1) Contract performance cost

The cost incurred by the Group to perform a contract which does not fall under the scope of the Accounting Standards for Business Enterprises relating to inventories, fixed assets and intangible assets and meets all of the following conditions, is recognised as an asset as contract performance cost:

1. the cost directly relates to an existing or expected contract, including direct labour, direct materials, fuel utilities fees, special product fees, manufacturing cost, product completion fees, or other costs expressed to be borne by customers and incidental only to the contract;
2. the cost increases the resources of the Group for future performance (including continuous performance) obligations;
3. the cost is expected to be recoverable.

(2) Contract acquisition cost

The incremental cost to obtain a contract which is expected to be recoverable is recognised as an asset as contract acquisition cost. Incremental cost refers to the cost which will not be incurred by the Group had the contract had not been acquired (such as commission and agency fees, etc). Other incremental cost incurred by the Group, other than the incremental cost expected to be recoverable, is included in profit or loss for the period as incurred.

(3) Amortisation of contract cost

The assets relating to contract performance cost and cost acquisition cost recognised by the Group (the "Contract Cost Related Assets") are amortised on the same basis as those for the revenue from goods or services relating to such assets (i.e. at the point of time of performance of obligations or in accordance with the performance progress of performance of obligations) and included in profit or loss.

(4) Impairment of contract cost

If the carrying value of the Contract Cost Related Assets is higher than the excess of the following item (i) over item (ii), a provision for impairment is made for such excess and recognised as loss on impairment of assets:

1. the remaining consideration expected to be obtained by the Group arising from the transfer of goods or services relating to such assets;
2. the estimated cost to be incurred to transfer such goods.

The Group normally reviews the shipbuilding and offshore engineering product contracts at the end of each quarter. If the total estimated cost of the contracts is higher than the total estimated income from the contracts, a provision shall be made for the excess, and the loss on impairment of assets and contract performance cost shall increase at the same time. If gross profit is not recognised before the performance progress reaches 30% (for non-first-made ships) or 50% (for first-made ships), the provision for impairment of contract performance cost is not reversed. If gross profit is recognised after the performance progress reaches 30% (for non-first-made ships) or 50% (for first-made ships), the provision made for impairment of contract performance cost is reversed to reduce the cost of principal business. Generally, at the end of each quarter, in respect of uncompleted ships with provision made for impairment of contract performance cost in the last period, if underprovision is made in the previous period, it is necessary to make supplementary provision and increase the assets impairment loss and the provision for impairment of contract performance cost. If overprovision is made in the last period, it is necessary to reverse the overprovision and reduce the assets impairment loss and the provision for impairment of contract performance cost. Upon ship delivery, the balance of provision for impairment of contract performance cost reversed to reduce the cost of principal business. At the balance sheet date, the carrying value of contract cost (being book balance net of balance of provision for impairment) is analyzed. If the carry value is negative, it will be reclassified and presented under estimated liabilities. If the carry value is positive, it will be presented under inventories.

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27. Government grants

Government grants are monetary or non-monetary assets obtained from the governments, excluding the contributed capital from the government investor. The special grant of investment from government, which should 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 installments 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 economical 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 directly included in profit for loss for the current period.

28. 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.

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29. 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.

30. 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 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 balance sheet date 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.

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.

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- (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.

31. 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.

32. 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 reporting segments based on operating segments. Inter-segment revenue are measured based on the actual transaction price of these transactions.

33. 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 period 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 accounting year.

a. Impairment of receivables

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

b. Provision for impairment of inventories

As stated in Note IV.12, the Group would estimate net realizable value of inventories on a regular basis, and the difference of inventory cost higher than net realizable value would be recognised as loss on impairment of inventories. The estimated net realizable value is based on estimated price of similar goods, net of costs, selling expenses 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.26, the Group reviews the shipbuilding contracts and the contracts for offshore engineering products at the balance sheet date. If the total estimated cost of the contracts is higher than the total estimated income from the contracts, provision shall be made for the contract performance cost, and the loss on impairment of assets and contract performance cost shall increase at the same time. The accounting estimates for contract cost 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.

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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 and structures, 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 shipbuilding and offshore engineering product contracts

The Group reviews the estimated total cost of shipbuilding and offshore engineering product contracts 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.

34. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

1) *Details of and reason for changes*

The Ministry of Finance of the PRC issued the following amendments to and interpretations of the Accounting Standards for Business Enterprises in 2017 and 2018:

1. Accounting Standard for Business Enterprises No. 14 – Revenue (Amendment) (the “New Revenue Standard”)
2. Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Amendment), Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets (Amendment), Accounting Standard for Business Enterprises No. 24 – Hedging Accounting (Amendment), and Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (Amendment) (collectively, the “New Standards for Financial Instruments”)

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3. Circular on the Format of Financial Statements of General Enterprises for 2018 (Cai Kuai [2018] No. 15)

The Group has adopted the aforesaid amendments to and interpretations of the Accounting Standards for Business Enterprises with effect from 1 January 2018 and has adjusted its relevant accounting policies.

2) *Principal impacts of changes*

1. New Revenue Standard

The New Revenue Standard replaces the Accounting Standard for Business Enterprises No. 14 – Revenue and the Accounting Standard for Business Enterprises No. 15 – Construction Contracts (collectively, the “Previous Revenue Standards”) issued by the Ministry of Finance of the PRC in 2006.

Under the Previous Revenue Standards, for the shipbuilding services and offshore engineering products and large steel structure products provided by the Group, their revenue and cost were recognised in accordance with the requirements of the Accounting Standard for Business Enterprises No. 15 – Construction Contracts. When the outcome of a construction contract can be estimated reliably at the balance sheet date, contract related economic benefits will probably flow into the Group, the incurred contract cost can be clearly identified and reliably measured, 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. The revenue and cost of electromechanical products and other steel structure products are recognised in accordance with the requirements for sale of goods, and the timing of revenue recognition was determined based on the timing of transfer of risks and rewards.

Under the New Revenue Standard, the principles for recognition and methods of measurement of revenue of the Group upon change are as follows: At the date of contract, the Group shall assess the contract, identify each of the performance obligations in the contract, as well as ensure whether each of the performance obligations is to be fulfilled over time or at a particular point of time, and subsequently confirm the revenue accordingly upon the complete fulfilment of each of the performance obligations. For the performance obligations to be fulfilled at a point in time, the Group recognises revenue at contractual price when the customer has obtained the control over the relevant goods. For the performance obligations to be fulfilled over time, the Group recognises revenue based on the performance progress during such period. The Group adopts the input method to determine the appropriate progress of performance, which is determined by the total actual contract cost incurred in proportion to the total estimated contract cost. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated is recognised as revenue, until the performance progress can be reasonably determined.

In accordance with the requirements of the New Revenue Standard, the Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance of obligations and the payment by customers.

The Group reviews the sources of revenue and the performance of obligations by customers to assess the impacts of the New Revenue Standard on its financial statements. The Group’s revenue is mainly from shipbuilding and offshore engineering products. Based on the assessment of contracts with customers, most of the shipbuilding and offshore engineering products meet the condition to “performance over time”, and their venue continue to be recognised based on the performance progress. A small portion of shipbuilding and offshore engineering products does not meet the condition to “performance over time”, and the Group changed them to performance at a particular point of time. In accordance with the transitional provisions of the New Revenue Standard, the accumulated impact of the first-time adoption of the New Revenue Standard was that undistributed profit as at the beginning of 2018 decreased by RMB28,415,790.16, without adjusting comparative period figures.

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

The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Items affected	1 January 2018 (Consolidated)		
	Before adjustment	Adjustment under the New Revenue Standard	After adjustment
Total assets	44,157,662,027.63	547,559,351.05	44,705,221,378.68
Including: Inventories	10,339,936,296.32	-5,764,483,485.18	4,575,452,811.14
Contract assets		6,312,042,836.23	6,312,042,836.23
Total liabilities	32,211,520,159.51	575,975,141.21	32,787,495,300.72
Including: Advances from customers	650,869,010.03	-650,869,010.03	0.00
Contract liabilities		6,420,311,531.98	6,420,311,531.98
Other current liabilities	5,544,483,602.13	-5,407,233,010.85	137,250,591.28
Estimated liabilities	534,814,956.27	213,765,630.11	748,580,586.38
Total owners' equity	11,946,141,868.12	-28,415,790.16	11,917,726,077.96
Including: Undistributed profit	1,228,681,091.09	-28,415,790.16	1,200,265,300.93

The impacts on the relevant items in the financial statements of the Company are as follows (Unit: RMB):

Items affected	1 January 2018 (the Company)		
	Before adjustment	Adjustment under the New Revenue Standard	After adjustment
Total liabilities	856,982,812.13		856,982,812.13
Including: Advances from customers	55,310,128.61	-55,310,128.61	
Contract liabilities		55,310,128.61	55,310,128.61

2. New Standards for Financial Instruments

The New Standards for Financial Instruments revised the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets, and the Accounting Standard for Business Enterprises No. 24 – Hedging Accounting issued by the Ministry of Finance of the PRC in 2006, as well as the Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments amended by the Ministry of Finance of the PRC in 2014 (collectively, the “Previous Standards for Financial Instruments”).

The New Standards for Financial Instruments classify financial assets into three types: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss. Under the New Standards for Financial Instruments, the classification of financial assets is determined based on the business model under which the Group manages financial assets and the characteristics of contractual cash flows of the assets. The New Standards for Financial Instruments removed the classification of loans and receivables, held-to-maturity investments and available-for-sale financial assets under the Previous Standards for Financial Instruments.

The New Standards for Financial Instruments replaced the “incurred loss” model under the Previous Standards for Financial Instruments with the “expected credit loss” model. The “expected credit loss” model requires continuous assessment of credit risks of financial assets.

In accordance with the requirements of the New Standards for Financial Instruments, the Group designates investments in equity instruments not held for trading as financial assets at fair value through other comprehensive income and makes retrospective adjustments. Based on the difference between the carrying value of financial instruments previously reported and the new carrying value of financial instruments at the date of adoption of the New Standards for Financial Instruments, being 1 January 2018, the Group increased other comprehensive income as at the beginning of 2018 by RMB17,736,432.06, without adjusting comparative financial statement figures.

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The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Items affected	1 January 2018 (Consolidated) Adjustment under the New Standards for Financial Instruments		
	Before adjustment		After adjustment
Total assets	44,157,662,027.63	23,731,942.26	44,181,393,969.89
Including: Available-for-sale financial assets	21,029,995.04	-21,029,995.04	
Investments in other equity instruments		44,726,104.08	44,726,104.08
Deferred tax assets	460,427,215.85	35,833.22	460,463,049.07
Total liabilities	32,211,520,159.51	5,995,510.20	32,217,515,669.71
Including: Deferred tax liabilities	1,412,563.62	5,995,510.20	7,408,073.82
Total owners' equity	11,946,141,868.12	17,736,432.06	11,963,878,300.18
Including: Other comprehensive income	-60,327,829.23	17,736,432.06	-42,591,397.17

There were no impacts on the items in the financial statements of the Company.

3. Presentation of financial Statements

The Group has prepared its interim financial statements for the first half of 2018 in accordance with the format of financial statements set out in Cai Kuai [2018] No. 15 and has changed the presentation of the relevant financial statements using retrospective adjustment method.

The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Affected items in the consolidated balance sheet	31 December 2017 Presentation and reclassification		
	Before adjustment		After adjustment
Total assets	44,157,662,027.63		44,157,662,027.63
Including: Notes receivable	157,166,528.30	-157,166,528.30	
Accounts receivable	1,541,228,808.18	-1,541,228,808.18	
Notes and accounts receivable		1,698,395,336.48	1,698,395,336.48
Interest receivable	46,434,534.12	-46,434,534.12	
Other receivables	129,376,288.79	46,434,534.12	175,810,822.91
Fixed assets	10,146,480,696.50	31,132.31	10,146,511,828.81
Disposal of fixed assets	31,132.31	-31,132.31	
Total liabilities	32,211,520,159.51		32,211,520,159.51
Including: Notes payable	1,772,284,568.59	-1,772,284,568.59	
Accounts payable	7,656,237,265.69	-7,656,237,265.69	
Notes and accounts payable		9,428,521,834.28	9,428,521,834.28
Interest payable	13,010,817.17	-13,010,817.17	
Dividends payable	383,540.92	-383,540.92	
Other payables	234,291,737.22	13,394,358.09	247,686,095.31
Long-term payables		363,119,760.23	363,119,760.23
Long-term employee benefits payable	263,749,760.23	-263,749,760.23	
Special payables	99,370,000.00	-99,370,000.00	

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Affected items in the consolidated income statement	From January to June 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Administrative expenses	523,351,934.09	-147,018,458.15	376,333,475.94
Research and development expenses		147,018,458.15	147,018,458.15
Loss on impairment of assets	14,307,072.64	4,003,144.53	18,310,217.17
Credit impairment loss		-4,003,144.53	-4,003,144.53
Net profit	51,955,996.74		51,955,996.74
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss			
3. Change in fair value of investments in other equity instruments		213,038.28	213,038.28
(ii) Other comprehensive income that may be subsequently reclassified into profit or loss			
2. Gain or loss on change in fair value of available-for-sale financial assets	213,038.28	-213,038.28	
Other comprehensive income after tax, net	213,038.28		213,038.28

The impacts on the relevant items in the financial statements of the Company are as follows (Unit: RMB):

Affected items in the balance sheet of the Company	31 December 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Total assets	9,635,378,787.06		9,635,378,787.06
Including: Notes receivable	100,000.00	-100,000.00	
Accounts receivable	34,815,043.87	-34,815,043.87	
Notes and accounts receivable		34,915,043.87	34,915,043.87
Interest receivable	403,909.69	-403,909.69	
Other receivables	9,128,338.88	403,909.69	9,532,248.57
Fixed assets	76,749,497.88	31,132.31	76,780,630.19
Disposal of fixed assets	31,132.31	-31,132.31	
Total liabilities	856,982,812.13		856,982,812.13
Including: Accounts payable	65,977,190.78	-65,977,190.78	
Notes and accounts payable		65,977,190.78	65,977,190.78
Interest payable	339,166.67	-339,166.67	
Dividends payable	383,540.92	-383,540.92	
Other payables	29,876,357.49	722,707.59	30,599,065.08
Long-term payables		99,370,000.00	99,370,000.00
Special payables	99,370,000.00	-99,370,000.00	

Affected items in the income statement of the Company	From January to June 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Loss on impairment of assets	-1,590,279.73	113,654.13	-1,476,625.60
Credit impairment loss		-113,654.13	-113,654.13
Net profit	34,352,097.03		34,352,097.03

(2) Changes in significant accounting estimates

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

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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%
Value-added tax ^{Note}	Domestic sales; provision of processing, repair and repair services; rental income	16%
	Revenue from construction and installation business	10%
	Modern services industry	6%
City maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

Note: In accordance with the Circular on the Adjustment to the Rates of Value-added Tax (Cai Shui [2018] No. 32), with effect from 1 May 2018, the rates of value-added tax for the taxable sales or imports of goods of the Group had been changed from 17% and 11% to 16% and 10%, respectively.

Notes on taxpayers subject to different enterprise income tax rates:

Name of entity	Tax rate	Remarks
the Company	25%	
Guangzhou Hongfan Computer 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
Wah Loong International Marine Limited	16.5%	Incorporated in Hong Kong
Wah Shun International Marine Limited	16.5%	Incorporated in Hong Kong
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprise
Other subsidiaries	25%	

2. Preferential taxation treatment

(1) Value-added tax

Export income: The Group is an enterprise engaged in production and operation. Tax relief, credit and rebate policy is applicable to all of its self-produced goods for export. The tax rebate rate is 16% (changed from 17% to 16% with effect from 1 May 2018) 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), for sales of self-developed software by a value-added tax general taxpayer, 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. On 9 November 2017, Hongfan Technology passed the review for high-tech enterprises and renewed its high-tech enterprise certificate for term of three years. Its enterprise income tax for 2018 was paid at a rate of 15%.

Huangpu Wenchong, a subsidiary of the Company, passed the certification of second batch of high-tech enterprises in Guangdong Province in 2015 with a validity period of three years. In 2018, Huangpu Wenchong re-applied for the high-tech enterprise qualification. As it believes that it will be able to renew the certificate prior to the payment of income tax, its enterprise income tax for 2018 continued to 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 Guangzhou in 2016 with a validity period of three years. As they did not choose preferential taxation treatment, their enterprise income tax for 2018 continued to be paid at a rate of 25%.

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VI. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the purposes of the financial statement data disclosed below, unless otherwise stated, "Beginning balance" refers to the balance as at 1 January 2018; and "Ending balance" refers to the balance as at 30 June 2018. "Current period" refers to the period from 1 January 2018 to 30 June 2018; and "Corresponding period of last year" refers to the period from 1 January 2017 to 30 June 2017. The currency unit is RMB.

1. Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash	234,624.20	233,753.83
Bank deposits	8,832,425,128.94	11,430,232,481.58
Other cash at bank and on hand	740,204,184.63	574,809,511.75
Total	9,572,863,937.77	12,005,275,747.16
Including: Total amount deposited overseas	115,050,634.89	119,318,183.64

Note 1: Breakdown of restricted cash at bank and on hand

Item	Ending balance	Beginning balance
Deposit for bank acceptance bills	841,839.19	200,000,000.00
Deposit for letters of guarantee and letters of credit	120,800,011.54	141,283,903.38
Foreign exchange forward contract bond	83,104,515.06	9,474,590.00
Fixed deposits pledged to secure long- and short-term borrowings	750,129,380.00	204,916,860.00
Fixed deposits with a term of over 3 months	1,232,500,000.00	0.00
Project security deposit	6,423,779.98	6,423,779.98
Special housing fund for employees	12,689,766.81	12,629,893.39
Total	2,206,489,292.58	574,729,026.75

Note 2: The amount deposited overseas of the Group at the end of the period was the deposit for deposits of its Hong Kong subsidiaries.

2. Financial assets held for trading

(1) Types of financial assets held for trading

Item	Ending balance	Beginning balance
Financial assets held for trading	11,802,666.85	6,602,255.91
Including: Forward exchange contracts	11,802,666.85	6,602,255.91
Total	11,802,666.85	6,602,255.91

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

Item	Fair value at the end of the period	Beginning fair value
Listed		
Unlisted	11,802,666.85	6,602,255.91
Total	11,802,666.85	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 price of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The prevailing benchmark loan interest rate promulgated by the People's Bank of China is chosen to be discount rate. The fair value is calculated according to the formula as follows.

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

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

If the fair value derived is positive, the Company discloses it under “Financial assets held for trading”; if negative, then discloses it under “Financial liabilities held for trading”.

3. Notes and accounts receivable

Item	No.	Ending balance	Beginning balance
Notes receivable	(1)	93,675,029.49	157,166,528.30
Accounts receivable	(2)	1,740,263,164.72	1,541,228,808.18
Total		1,833,938,194.21	1,698,395,336.48

(1) Notes receivable

1) Types of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	62,435,403.49	47,007,128.30
Commercial acceptance bills	31,239,626.00	110,159,400.00
Total	93,675,029.49	157,166,528.30

Among the above notes receivable of the Group at the end of the period, RMB86,860,169.49 had an ageing of less than 180 days, and RMB6,814,830.00 had an ageing of 181-360 days.

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

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

Item	Amount derecognised at the end of period	Amount not derecognised at the end of period
Bank acceptance bills	29,988,105.80	
Total	29,988,105.80	

4) Notes transferred to accounts receivable at the end of period due to non-performance of drawers: None.

(2) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	1,762,397,459.34	1,562,283,924.40
Less: Provision for bad debts	22,134,294.62	21,055,116.22
Net amount	1,740,263,164.72	1,541,228,808.18

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

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,398,238,734.31	6,991,114.33	0.50
1-2 years	189,869,308.63	949,346.54	0.50
2-3 years	151,766,556.12	758,832.78	0.50
3-4 years	9,657,498.03	4,144,506.20	42.91
4-5 years	1,693,520.45	187,149.06	11.05
Over 5 years	11,171,841.80	9,103,345.71	81.48
Total	1,762,397,459.34	22,134,294.62	1.26

(Continued)

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,169,165,310.01	5,811,972.59	0.50
1-2 years	257,009,022.98	1,296,222.24	0.50
2-3 years	110,371,726.65	545,830.58	0.50
3-4 years	7,008,378.15	4,081,276.19	58.23
4-5 years	7,278,985.47	3,747,170.85	51.48
Over 5 years	11,450,501.14	5,572,643.77	48.67
Total	1,562,283,924.40	21,055,116.22	1.35

- 2) **Credit period of accounts receivable**

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

- 3) **Breakdown of accounts receivable by risk**

Type	Ending balance				Net amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable which are individually significant and for which the provision for bad debts is made on an individual basis					
Accounts receivable for which the provision for bad debts is made on a credit risk feature portfolio basis	1,749,008,126.03	99.24	8,744,961.31	0.50	1,740,263,164.72
Accounts receivable which are individually insignificant but for which the provision for bad debts is made on an individual basis	13,389,333.31	0.76	13,389,333.31	100.00	
Total	1,762,397,459.34	-	22,134,294.62	-	1,740,263,164.72

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(Continued)

Type	Book balance		Ending balance		Net amount
	Amount	Percentage (%)	Provision for bad debts		
			Amount	Percentage (%)	
Accounts receivable which are individually significant and for which the provision for bad debts is made on an individual basis					
Accounts receivable for which the 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
Accounts receivable which are individually insignificant but for which the provision for bad debts is made on an individual basis	13,339,500.36	0.85	13,339,500.36	100.00	
Total	1,562,283,924.40	-	21,055,116.22	-	1,541,228,808.18

A *Accounts receivable in the portfolio for which the provision for bad debts is made using balance percentage method*

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,398,238,734.31	6,991,114.33	0.50
1-2 years	189,869,308.63	949,346.54	0.50
2-3 years	151,766,556.12	758,832.78	0.50
3-4 years	5,540,695.32	27,703.49	0.50
4-5 years	1,513,941.10	7,569.71	0.50
Over 5 years	2,078,890.55	10,394.46	0.50
Total	1,749,008,126.03	8,744,961.31	-

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

Name of entity	Ending balance			Reasons for provision
	Accounts receivable	Provision for bad debts	Percentage (%)	
TENOVA AUSTRALIA PTY LTD	4,041,802.71	4,041,802.71	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	2,691,552.94	2,691,552.94	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	563,118.00	563,118.00	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.

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Name of entity	Ending balance			Reasons for provision
	Accounts receivable	Provision for bad debts	Percentage (%)	
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 Yuji Property Co., Ltd.	105,500.00	105,500.00	100	Long ageing, with risk of collection.
14 other companies	487,072.27	487,072.27	100	Long ageing, with risk of collection.
Total	13,389,333.31	13,389,333.31	-	-

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

Provision for bad debts made during the period amounted to RMB1,111,518.40; provision for bad debts recovered or reversed during the period amounted to RMB30,240.00.

5) Accounts receivable written-off during the period

Item	Amount written-off
Accounts receivable written-off	2,100.00

6) Top five accounts receivable by ending balance of debtors

Name of entity	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts Ending balance
Entity 1	Third party	328,206,200.00	Within one year	18.52	1,641,031.00
Entity 2	Third party	194,882,445.00	Within 2 years	11.00	974,412.23
Entity 3	Third party	124,949,174.30	Within 4 years	7.05	624,745.87
Entity 4	Third party	87,669,950.00	Within one year	4.95	438,349.75
Entity 5	Third party	57,564,420.00	Within one year	3.25	287,822.10
Total		793,272,189.30		44.77	3,966,360.95

4. Prepayments

(1) Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,878,486,022.57	56.60	1,336,429,447.23	53.99
1-2 years	596,871,090.44	17.98	348,509,967.81	14.08
2-3 years	198,989,140.66	6.00	621,256,064.47	25.10
Over 3 years	644,409,455.26	19.42	168,986,745.40	6.83
Total	3,318,755,708.93	-	2,475,182,224.91	-

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

Name of entity	Relationship with the Company	Amount	Of which aged over one year	Amount aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for unsettlement
EMERINTERNATONALLIMITED	Third party	296,782,295.15	296,782,295.15	8.94	0-3 years	Large equipment received in batches and not inspected and accepted
China Shipbuilding Trading Shanghai Co., Ltd.	Under common control of CSSC	246,334,548.39	242,655,526.89	7.31	0-3 years	Large equipment received in batches and not inspected and accepted
ZENTECHINCORPORATED	Third party	47,242,070.40	47,242,070.40	1.42	0-3 years	Large equipment received in batches and not inspected and accepted
ScanmarineAB	Third party	44,345,956.25	9,506,060.13	0.29	0-2 years	Project unsettled
The China Engineers, Limited	Third party	34,733,554.39	34,733,554.39	1.05	0-3 years	Large equipment received in batches and not inspected and accepted
Tognum Aisa Ltd.	Third party	28,854,422.00	28,854,422.00	0.87	0-3 years	Large equipment received in batches and not inspected and accepted
Dalian ORRC Diesel Engine Special Equipment Co., Ltd.	Third party	28,080,000.00	28,080,000.00	0.85	0-3 years	Large equipment received in batches and not inspected and accepted
Shenyang Liming Aircraft Engine (Group) Co., Ltd.	Third party	27,645,320.00	27,645,320.00	0.83	0-2 years	Large equipment received in batches and not inspected and accepted
ABBSHANGHAIFREETRADEZONEINDUSTRIALCO.,LTD	Third party	24,098,227.98	24,098,227.98	0.73	0-2 years	Project unsettled
Wuhan Zhong Hai Tong Ship Materials Co., Ltd.	Third party	23,303,298.20	7,490,679.08	0.23	0-2 years	Project unsettled
HAVYARDDESIGN&SOLUTIONSAS	Third party	19,134,345.62	19,134,345.62	0.58	0-3 years	Project unsettled
YOSHIDAGOCO.LTD	Third party	17,019,485.44	17,019,485.44	0.51	0-3 years	Project unsettled
ALFALAVAL(CHINA)LTD	Third party	16,053,197.42	16,053,197.42	0.48	0-3 years	Project unsettled
ROLLS-ROYCEMARINEASDEPT.DECK MACHINERY-BRATTVAAG	Third party	13,380,016.08	13,380,016.08	0.40	0-3 years	Project unsettled
ABBAS	Third party	11,700,616.72	11,700,616.72	0.35	0-3 years	Project unsettled
HotTungMaringMachinersSuppliersLimited	Third party	8,256,310.05	8,256,310.05	0.25	0-3 years	Project unsettled
SIEMENSAG	Third party	6,215,114.88	6,215,114.88	0.19	0-3 years	Project unsettled
Xinyu Iron & Steel Co., Ltd.	Third party	6,160,252.85	6,160,252.85	0.19	0-2 years	Project unsettled
Total		899,339,031.82	845,007,495.08	25.47		

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

Name of entity	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	711,873,796.87	Within one year	21.45
EMER INTERNATTONAL LIMITED	296,782,295.15	0-2 years	8.94
China Shipbuilding Trading Shanghai Co., Ltd.	246,334,548.39	0-3 years	7.42
China Shipbuilding Industry Corporation A Research Institute	115,995,000.00	0-3 years	3.50
China Shipbuilding Industry Corporation B Research Institute	96,717,200.00	Within one year	2.91
Total	1,467,702,840.41	-	44.22

5. Other receivables

Item	No.	Ending balance	Beginning balance
Interest receivable	(1)	27,620,316.44	46,434,534.12
Dividends receivable	(2)	180,584.79	0.00
Other receivables	(3)	201,626,878.93	129,376,288.79
Total		229,427,780.16	175,810,822.91

(1) Interest receivable

Item	Ending balance	Beginning balance
Fixed deposit	18,122,672.63	31,860,882.74
Entrusted wealth management products	9,497,643.81	14,573,651.38
Total	27,620,316.44	46,434,534.12

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

(2) Dividends receivable

Item (or investee)	Ending balance	Beginning balance
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	180,584.79	
Total	180,584.79	

(3) Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	214,968,771.84	142,347,253.79
Less: Provision for bad debts	13,341,892.91	12,970,965.00
Net amount	201,626,878.93	129,376,288.79

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1) *Ageing analysis of other receivables*

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within one year (including one year)	187,827,938.07	939,141.45	0.50
1-2 years	4,010,960.39	183,045.75	4.56
2-3 years	4,991,750.66	1,773,719.60	35.53
3-4 years	120,274.60	601.37	0.50
4-5 years	196,349.35	981.75	0.50
Over 5 years	17,821,498.77	10,444,402.99	58.61
Total	214,968,771.84	13,341,892.91	6.21

(Continued)

Ageing	Beginning 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	4,664,158.14	746,975.35	16.02
2-3 years	1,645,646.47	1,196,325.45	72.70
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	17,688,287.91	10,443,736.94	59.04
Total	142,347,253.79	12,970,965.00	9.11

2) *Breakdown of other receivables*

Type	Ending balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables which are individually significant and for which the provision for bad debts is made on an individual basis	10,340,232.15	4.81	10,340,232.15	100.00	
Other receivables for which the provision for bad debts is made on credit risk features portfolio basis	202,640,081.10	94.26	1,013,202.17	0.50	201,626,878.93
Other receivables which are individually insignificant but for which the provision for bad debts is made on an individual basis	1,988,458.59	0.92	1,988,458.59	100.00	
Total	214,968,771.84		13,341,892.91		201,626,878.93

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(Continued)

Type	Ending balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables which are individually significant and for which the provision for bad debts is made on an individual basis	10,340,232.15	7.26	10,340,232.15	100.00	
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
Other receivables which are individually insignificant but for which the provision for bad debts is made on an individual basis	1,988,458.59	1.40	1,988,458.59	100.00	
Total	142,347,253.79	-	12,970,965.00	-	129,376,288.79

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

Name of entity	Book balance	Ending 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 the period. Guangzhou Intermediate People's Court had ordered the suspension of execution. The Company expects that it will be unable to recover the amount.

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

Name of portfolio	Other receivables	Ending balance	
		Provision for bad debts	Percentage (%)
Within one year (including one year)	187,827,938.84	939,141.45	0.50
1-2 years	3,847,150.39	19,235.75	0.50
2-3 years	3,234,202.07	16,171.01	0.50
3-4 years	120,274.60	601.37	0.50
4-5 years	196,349.35	981.75	0.50
Over 5 years	7,414,165.85	37,070.84	0.50
Total	202,640,081.10	1,013,202.17	-

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C Other receivables which are individually insignificant but for which the provision for bad debts is made on an individual basis

Name of entity	Book balance	Amount of bad debts	Percentage (%)	Reasons for provision
Yantai Jiatai Ship Engineering Co., Ltd.	1,757,548.59	1,757,548.59	100.00	Unrecoverable
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
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 period

Provision for bad debts made during the period amounted to RMB376,022.91; provision for bad debts recovered or reversed during the period amounted to RMBnil.

4) Other receivables written off during the period:

Item	Amount written-off
Other receivables written-off	5,095.00

5) Breakdown of other receivables by nature

Nature	Book balance at the end of period	Book balance at the beginning of year
Refundable deposit	149,863,608.16	55,552,808.36
Reserve funds	15,603,007.50	13,176,819.01
Temporary payments receivable	10,522,424.61	1,205,969.77
Grants receivable		13,178,409.44
Other current account	38,979,731.58	59,233,247.21
Total	214,968,771.85	142,347,253.79

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

Name of entity	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of bad provision for debts
Shenzhen-Zhongshan Channel Management Centre	Refundable deposit	49,805,156.20	Within one year	23.17	249,025.78
Changjiang Waterway Bureau	Performance bonds	47,980,000.00	Within one year	22.32	239,900.00
Konwin International Limited	Other current account	10,340,232.15	Over 5 years	4.81	10,340,232.15
Chongqing Iron and Steel Co., Ltd.	Other current account	4,837,015.39	Within one year	2.25	24,185.08
Guangzhou Nansha Pingqian Automobile Industrial Park Co., Ltd.	Security deposit	3,982,863.00	Over 5 years	1.85	19,914.32
Total		116,945,266.74		54.4	10,873,257.33

7) Other receivables relating to government grants: None.

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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6. Inventories

(1) Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials	1,624,227,209.60	16,646,604.27	1,607,580,605.33	1,500,881,311.75	17,749,288.75	1,483,132,023.00
Work in progress	3,312,838,256.95	121,264,371.95	3,191,573,885.00	3,136,166,641.30	113,288,110.77	3,022,878,530.53
Finished goods	22,411,766.74	15,951.95	22,395,814.79	24,168,786.16	15,951.95	24,152,834.21
Goods in transit	35,258,118.04		35,258,118.04	45,289,423.40		45,289,423.40
Total	4,994,735,351.33	137,926,928.17	4,856,808,423.16	4,706,506,162.61	131,053,351.47	4,575,452,811.14

(2) Provision for impairment of inventories

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision	Others	Reversal or writing-off	Other transfer-out	
Raw materials	17,749,288.75			1,102,684.48		16,646,604.27
Work in progress	113,288,110.77	17,813,393.88		9,837,132.70		121,264,371.95
Finished goods	15,951.95					15,951.95
Total	131,053,351.47	17,813,393.88		10,939,817.18		137,926,928.17

(3) Provision for impairment of inventories

Item	Basis for determination of net realisable value	Reason for reversal or writing-off during the period
Raw materials	Book cost higher than net realisable value (Estimated disposal proceeds less taxes)	Production and reuse
Work in progress	Book cost higher than net realisable value (Estimated selling price less related costs and expenses)	Completed for sale
Finished goods	Book cost higher than net realisable value (Estimated selling price less taxes)	

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

7. Contract assets

Item	Ending balance	Beginning balance
Contract assets relating to shipbuilding	6,317,477,542.66	5,286,976,402.72
Contract assets relating to offshore engineering products	1,149,177,358.63	970,975,204.79
Contract assets relating to steel structure engineering	85,967,136.61	54,091,228.72
Total	7,552,622,037.90	6,312,042,836.23

Note: Contract assets are the revenue from contracts based on the progress of performance in accordance with the "performance over time" contracts entered into by the Group, which represent the contract consideration received by the Group from customers when a contract reaches the point of time for payment.

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8. Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Long-term entrusted wealth management products due within one year	300,000,000.00	1,001,000,000.00	Note
Long-term receivables due with one year	61,669,828.88	32,143,116.08	
Total	361,669,828.88	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	2016-9-26	2018-9-26
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	100,000,000.00	2016-11-8	2018-11-8
Total		300,000,000.00		

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.

9. Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	1,529,409,251.26	1,841,133,635.71
Prepaid enterprise income tax	160,473.69	121,818.67
Total	1,529,569,724.95	1,841,255,454.38

10. Long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value	
Receipt in installments for sale of goods	630,099,528.02	126,260,369.39	503,839,158.63	582,380,488.37	122,320,951.28	460,059,537.09	4.75%
Compensation for assets relocation	1,060,379,063.75	5,670,000.00	1,054,709,063.75				3.07%
Total	1,690,478,591.77	131,930,369.39	1,558,548,222.38	582,380,488.37	122,320,951.28	460,059,537.09	

Description: Compensation for assets relocation represents the present value of the compensation for assets relocation discounted based on the expected future cash flows for GSI, a subsidiary of the Company, in accordance with the Agreement in relation to Compensation for Assets Relocation of GSI dated 9 November 2015 with Guangzhou Shipyard Shipping Co., Ltd. and the relevant premise (asset) handover confirmation.

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11. Long-term equity investments

(1) Breakdown of long-term equity investments

Investee	Beginning balance	Additional investment	Decrease in investment	Changes in the period				Others	Ending balance	Ending balance of provision for impairment
				Investment gain or loss recognised using equity method	Other comprehensive income adjustment	Other changes in equity	Declaration and payment of cash dividend or profit			
I. Joint ventures	28,345,549.91	32,051,000.00		-4,949,184.64					55,447,365.27	
Narfang Environment Co., Ltd.	28,345,549.91	30,000,000.00		-3,820,147.71					54,525,402.20	
CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.		2,000,000.00		-1,078,715.06					921,284.94	
Guangzhou Zhongdan Ship Design Co., Ltd.		51,000.00		-50,321.87					678.13	
II. Associates	709,673,110.66			272,858.30	-158,207.39	151,825.44	-180,584.79		709,759,002.22	
CSSC Xingxi Yangzhou Shipbuilding Company Limited	641,499,639.07			120,665.17					641,620,304.24	
Zhenjiang China Marine-Xandai Generating Co., Ltd.	45,368,687.49			685,233.31		151,825.44			46,205,746.24	
CSSC Liner Technology Development Co., Ltd.	19,175,594.85			-563,853.66	-158,207.39				18,453,533.80	
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	3,629,169.25			30,813.48			-180,584.79		3,479,417.94	
Total	738,018,660.57	32,051,000.00		-4,676,326.34	-158,207.39	151,825.44	-180,584.79		765,206,367.49	

(2) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	765,206,367.49	738,018,660.57
Total	765,206,367.49	738,018,660.57

12. Investments in other equity instruments

(1) Information on investments in other equity instruments

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in other equity instruments Including: At fair value through other comprehensive income	42,131,036.85		42,131,036.85	44,726,104.08		44,726,104.08
	42,131,036.85		42,131,036.85	44,726,104.08		44,726,104.08
Total	42,131,036.85		42,131,036.85	44,726,104.08		44,726,104.08

(2) Analysis of other equity instruments

Item	Ending balance	Beginning balance
Listed	6,955,828.74	10,317,771.48
Including: China (except Hong Kong)	6,955,828.74	10,317,771.48
Unlisted	35,175,208.11	34,408,332.60
Total	42,131,036.85	44,726,104.08

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(3) Breakdown of other equity instruments

	Ending balance			Beginning balance		
	Book cost	Fair value Change	Carrying value	Book cost	Fair value Change	Carrying value
Shares in Chongqing Iron and Steel	6,925,546.56	-3,105,204.30	3,820,342.26	6,925,546.56		6,925,546.56
Shares in Bank of Communications	1,155,497.30	1,979,989.18	3,135,486.48	1,155,497.30	2,236,727.62	3,392,224.92
Sub-total of listed	8,081,043.86	-1,125,215.12	6,955,828.74	8,081,043.86	2,236,727.62	10,317,771.48
CSSC Finance Company Limited	5,828,000.00	21,274,368.11	27,102,368.11	5,828,000.00	20,152,821.49	25,980,821.49
Huangpu Hongshan Community Health Service Center	1,200,000.00	3,397,350.32	4,597,350.32	1,200,000.00	3,223,802.40	4,423,802.40
China Shipbuilding IT Co., Ltd.	1,700,000.00	-315,684.65	1,384,315.35	1,700,000.00	-380,107.10	1,319,892.90
CSIC Yuanzhou (Beijing) Science & Technology Co., Ltd.	1,000,000.00	-2,323.19	997,676.81	1,000,000.00	-48,752.48	951,247.52
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46	421,274.44	801,314.90	380,040.46	391,025.16	771,065.62
Guangzhou Xinzhou Service Co., Ltd.	106,425.00	185,757.62	292,182.62	106,425.00	169,157.67	275,582.67
Shanghai Yangzi International Travel Agent Co., Ltd.				497,758.10	188,161.90	685,920.00
CSSC Heavy Equipment Co., Ltd.						
Nanjing Tongchuang Computer Co., Ltd.						
Sub-total of unlisted	10,214,465.46	24,960,742.65	35,175,208.11	10,712,223.56	23,696,109.04	34,408,332.60
Total	18,295,509.32	23,835,527.53	42,131,036.85	18,793,267.42	25,932,836.66	44,726,104.08

Description: As at 31 December 2017, the Group's investment in CSSC Heavy Equipment Co., Ltd. had a carrying value of RMB0 (investment cost of RMB15,000,000.00, provision for impairment loss of RMB15,000,000.00), and its investment in Nanjing Tongchuang Computer Co., Ltd. had a carrying value of RMB0 (investment cost of RMB4,716,310.26, provision for impairment loss of RMB4,716,310.26). As at 1 January 2018 (being the effective date of the standard for financial instruments), the Group recognised their book cost at original carrying value of RMB0.

(4) At fair value through other comprehensive income at the end of the period

Item	Other equity instruments	Total
Cost of equity instruments	18,295,509.32	18,295,509.32
Fair value	42,131,036.85	42,131,036.85
Accumulated amount of changes in fair value included in other comprehensive income	23,835,527.53	23,835,527.53

13. Other non-current financial assets

Item	Ending balance	Beginning balance
Long-term entrusted wealth management products	70,000,000.00	
Total	70,000,000.00	

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

Client	Trustee	Amount	Date of commencement	Date of ending
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	70,000,000.00	2018-6-27	2019-7-10
	Total	70,000,000.00		

Please refer to Note VI.8 for details.

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 period		
3. Decrease for the period		
4. Ending balance	29,171,739.00	29,171,739.00
II. Accumulated depreciation and amortisation		
1. Beginning balance	6,920,375.32	6,920,375.32
2. Increase for the period	314,356.08	314,356.08
(1) Provision made or amortisation	314,356.08	314,356.08
3. Decrease for the period		
4. Ending balance	7,234,731.40	7,234,731.40
III. Provision for impairment		
1. Beginning balance		
2. Increase for the period		
3. Decrease for the period		
4. Ending balance		
IV. Carrying value		
1. Carrying value at the end of the period	21,937,007.60	21,937,007.60
2. Carrying value at the beginning of the year	22,251,363.68	22,251,363.68

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

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

Investment properties analyzed by region and term:

Item	Ending balance	Beginning balance
Within China	21,937,007.60	22,251,363.68
Medium term (10-50 years)	21,937,007.60	22,251,363.68
Total	21,937,007.60	22,251,363.68

(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	8,897,230,195.68	5,632,170,042.22	542,501,705.11	426,502,576.06	15,498,404,519.07
2. Increase for the period	116,796,875.49	44,338,259.61	214,895,792.90	12,668,247.64	388,699,175.64
(1) Additions	27,945,167.19	26,171,786.02	24,477,972.86	10,275,417.40	88,870,343.47
(2) Transfer from construction in progress	88,851,708.30	18,166,473.59		2,392,830.24	109,411,012.13
(3) Transfer from inventories			190,417,820.04		190,417,820.04
3. Decrease for the period	6,928,402.81	84,684,670.53	5,869,855.85	3,365,575.46	100,848,504.65
(1) Disposal or retirement	6,928,402.81	84,684,670.53	5,869,855.85	3,365,575.46	100,848,504.65
4. Ending balance	9,007,098,668.36	5,591,823,631.30	751,527,642.16	435,805,248.24	15,786,255,190.06
II. Accumulated depreciation					
1. Beginning balance	2,091,575,135.14	2,712,341,621.54	275,705,799.49	265,971,800.04	5,345,594,356.21
2. Increase for the period	147,679,742.85	147,142,940.35	19,465,298.80	16,426,185.21	330,714,167.21
(1) Provision made	147,679,742.85	147,142,940.35	19,465,298.80	16,426,185.21	330,714,167.21
3. Decrease for the period	4,612,729.38	73,240,320.14	4,066,566.32	3,165,611.62	85,085,227.46
(1) Disposal or retirement	4,612,729.38	73,240,320.14	4,066,566.32	3,165,611.62	85,085,227.46
4. Ending balance	2,234,642,148.61	2,786,244,241.75	291,104,531.97	279,232,373.63	5,591,223,295.96
III. Provision for impairment					
1. Beginning balance		6,192,828.25		105,505.80	6,298,334.05
2. Increase for the period			22,525,767.52		22,525,767.52
(1) Transfer from provision for impairment of inventories			22,525,767.52		22,525,767.52
3. Decrease for the period	37,909.33				37,909.33
(1) Disposal or retirement	37,909.33				37,909.33
4. Ending balance		6,154,918.92	22,525,767.52	105,505.80	28,786,192.24
IV. Carrying value					
1. Carrying value at the end of the period	6,772,456,519.75	2,799,424,470.63	437,897,342.67	156,467,368.81	10,166,245,701.86
2. Carrying value at the beginning of the year	6,805,655,060.54	2,913,635,592.43	266,795,905.62	160,425,270.22	10,146,511,828.81

Note 1: The depreciation of fixed assets recognised in profit or loss during the period is RMB330,714,167.21 (Corresponding period of last year: RMB346,952,334.00).

Note 2: Included in fixed assets added during the period is RMB109,411,012.13 capitalised construction in progress.

Note 3: During the period, inventories of RMB190,417,820.04 was transferred to fixed assets and provision for impairment of inventories of RMB22,525,767.52 was transferred to provision for impairment of fixed assets, as Huangpu Wenchong sold completed ships to Wah Shun and Wah Loong, both subsidiaries of the Company, for operating lease as fixed assets.

(2) Fixed assets leased out through operating leases

Item	Carrying value
Buildings and structures	229,397,836.78
Machinery and equipment	13,127,530.10
Transportation vehicles	311,522,052.94
Other equipment	67,352.29
Total	554,114,772.11

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

Item	Ending balance	Beginning balance
Within China	6,758,263,205.77	6,791,320,054.74
Medium term (10-50 years)	6,758,248,672.59	6,791,303,501.96
Short term (within 10 years)	14,533.18	16,552.78
Outside China	14,193,313.98	14,335,005.80
Long term (over 50 years)	14,193,313.98	14,335,005.80
Total	6,772,456,519.75	6,805,655,060.54

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

As at the end of the period, included in fixed assets were properties with carrying amount of RMB205,021,860.40 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.

Project	Carrying value	Reason for failure to obtain property ownership certificates
Production workshop	97,263,755.13	In the process of obtaining ownership certificate
Ship joining workshop	66,594,396.90	In the process of obtaining ownership certificate
Production and living support building	13,703,770.28	In the process of obtaining ownership certificate
Protection building project for submarine force at Longxue Plant	6,812,899.09	In the process of obtaining ownership certificate
Office building	6,716,145.79	In the process of obtaining ownership certificate
1# air pressure station, 1# distribution and transformer substation	5,115,956.73	In the process of obtaining ownership certificate
East auxiliary building of new platform ship at Longxue Plant	4,614,028.97	In the process of obtaining ownership certificate
Oil paint, oil and chemicals storage	2,518,418.95	In the process of obtaining ownership certificate
Oily waste storage room	871,768.20	In the process of obtaining ownership certificate
1# natural gas blending station	649,010.93	In the process of obtaining ownership certificate
1# liquid oxygen gasification station	161,709.43	In the process of obtaining ownership certificate
Total	205,021,860.40	

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16. Construction in progress

(1) Breakdown of construction in progress

Project	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Nansha Plant upgrading project	143,092,556.09		143,092,556.09	109,487,545.91		109,487,545.91
Project 8	80,787,017.26		80,787,017.26	85,500,049.11		85,500,049.11
Maritime engineering equipment production facilities improvement project at Longxue Plant	78,447,568.19		78,447,568.19	80,316,686.72		80,316,686.72
Elevator and decompression bed construction project	58,319,915.06		58,319,915.06	48,817,551.70		48,817,551.70
Technological upgrading project	51,660,462.61		51,660,462.61	45,332,081.90		45,332,081.90
Residential project for workers	72,983,283.14		72,983,283.14	72,983,325.52		72,983,325.52
Project 7	36,039,691.38		36,039,691.38	43,119,608.99		43,119,608.99
Offshore platform project	33,321,845.56		33,321,845.56	36,250,674.82		36,250,674.82
Project 3	30,122,335.39		30,122,335.39	7,155,003.51		7,155,003.51
Outfitting integrated workshop, improvement workshop, quality control centre project	26,560,148.32		26,560,148.32	2,437,788.77		2,437,788.77
Platform project	12,610,281.04		12,610,281.04	11,783,702.87		11,783,702.87
Workers' dormitory phase II	12,524,795.49		12,524,795.49	2,763,020.01		2,763,020.01
Project 5	8,674,931.43		8,674,931.43	8,658,331.70		8,658,331.70
Others	47,671,053.37		47,671,053.37	80,513,895.94		80,513,895.94
Total	692,815,884.33		692,815,884.33	635,119,267.47		635,119,267.47

(2) Change in material construction in progress

Name of project	Beginning balance	Increase for the period	Decrease for the period		Ending balance
			Transfer to fixed assets	Other decrease	
Nansha Plant upgrading project	109,487,545.91	39,081,078.58	5,476,068.40		143,092,556.09
Project 8	85,500,049.11	32,483,198.12	35,741,742.79	1,454,487.18	80,787,017.26
Maritime engineering equipment production facilities improvement project at Longxue Plant	80,316,686.72	26,845,568.64	28,714,687.17		78,447,568.19
Residential project for workers	72,983,325.52	-42.38			72,983,283.14
Elevator and decompression bed construction project	48,817,551.70	9,502,363.36			58,319,915.06
Technological upgrading	45,332,081.90	10,675,175.62	4,346,794.91		51,660,462.61
Project 7	43,119,608.99	5,738,195.58	12,818,113.19		36,039,691.38
Offshore platform project	36,250,674.82	-2,928,829.26			33,321,845.56
Project 3	7,155,003.51	22,967,331.88			30,122,335.39
Outfitting integrated workshop, improvement workshop, quality control centre project	2,437,788.77	24,122,359.55			26,560,148.32
Platform project	11,783,702.87	5,351,064.30	4,524,486.13		12,610,281.04
Workers' dormitory phase II	2,339,490.07	10,185,305.42			12,524,795.49
Project 5	8,658,331.70	16,599.73			8,674,931.43
Total	554,181,841.59	184,039,369.14	91,621,892.59	1,454,487.18	645,144,830.96

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Name of project	Budgeted amount	Budget use-up ratio (%)	Progress	Accumulated interest capitalised	Of which: Interest capitalised for the period	Interest capitalisation ratio for the period (%)	Source of funding
Nansha Plant upgrading project	1,333,760,000.00	37.16	Under construction	3,910,250.37	922,757.91	23.60	Self-financed
Project 8	453,000,000.00	57.23	Under construction	-2,327.48	-565.75	24.31	State-grant/ self-financed
Maritime engineering equipment production facilities improvement project at Longxue Plant	653,000,000.00	68.00	Under construction	-2,385,758.50	-98,349.06	4.12	Self-financed/ loans
Residential project for workers	568,440,000.00	25.71	Under construction	5,321,193.20	-42.38		Self-financed/ loans
Elevator and decompression bed construction project	123,730,000.00	47.85	Under construction				Self-financed
Technological upgrading Project 7	56,000,000.00 424,940,000.00	98.00 88.00	Under construction Under construction		1,012,536.23	16.69	Self-financed State-grant/ loan/ self-financed
Offshore platform project Project 3	278,630,000.00 278,630,000.00	43.00 92.86	Under construction Under construction	22,045,499.70 24,729,023.57	564,053.85 -94.91	2.56	Self-financed/loans Self-financed/loans
Outfitting integrated workshop, improvement workshop, quality control centre project	77,600,000.00	34.23	Under construction				Self-financed
Platform project	486,120,000.00	3.52	Under construction				State-grant/ self-financed
Workers' dormitory phase II Project 5	82,520,000.00 119,420,000.00	15.18 68.17	Under construction Under construction		-6,885.98	-0.23	Self-financed State-grant/loan
Total	4,935,790,000.00	-	-	62,734,916.14	2,393,409.91	-	-

17. Intangible assets

(1) Breakdown of intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	1,994,199,453.80	145,232,000.00	181,454,427.39	2,423,934.00	2,323,309,815.19
2. Increase for the period			1,893,170.95		1,893,170.95
(1) Additions			1,893,170.95		1,893,170.95
3. Decrease for the period					
4. Ending balance	1,994,199,453.80	145,232,000.00	183,347,598.34	2,423,934.00	2,325,202,986.14
II. Accumulated amortisation					
1. Beginning balance	261,304,583.96	25,415,599.65	151,888,816.75	32,876.56	438,641,876.92
2. Increase for the period	20,314,885.56	1,452,319.98	5,141,268.50	3,233.76	26,911,707.80
(1) Provision made	20,314,885.56	1,452,319.98	5,141,268.50	3,233.76	26,911,707.80
3. Decrease for the period					
4. Ending balance	281,619,469.52	26,867,919.63	157,030,085.25	36,110.32	465,553,584.72
III. Provision for impairment					
1. Beginning balance					
2. Increase for the period					
3. Decrease for the period					
4. Ending balance					
IV. Carrying value					
1. Carrying value at the end of the period	1,712,579,984.28	118,364,080.37	26,317,513.09	2,387,823.68	1,859,649,401.42
2. Carrying value at the beginning 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

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

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Land use rights analyzed by region and term:

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	1,712,579,984.28	1,732,894,869.84
Total	1,712,579,984.28	1,732,894,869.84

The depreciation and amortisation of intangible assets recognised in profit or loss during the period is RMB26,911,707.80 (Corresponding period of last year: RMB29,226,818.77).

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

18. Long-term prepaid expenses

Project	Beginning balance	Increase for the period	Amortisation for the period	Other decreases for the period	Ending balance
13-metre total steel beam	6,288,440.81		361,111.12		5,927,329.69
1025 import technology design fee	4,253,039.47				4,253,039.47
Reconstruction cost of Phase II plant	4,025,959.59		535,005.04		3,490,954.55
CCS certification fee	30,000.00		15,000.00		15,000.00
Improvement in leased fixed assets	263,774.45		230,512.84		33,261.61
Enclosure project for waterway wharf at Liwan Plant	93,680.15		93,680.15		
Hongfan Hotel renovation cost		581,002.05	184,763.37		396,238.68
Total	14,954,894.47	581,002.05	1,420,072.52		14,115,824.00

19. 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	1,414,383,119.05	320,298,659.59	1,164,292,329.54	291,073,082.39
Provision for impairment of assets	350,568,359.38	68,500,125.05	343,688,581.83	63,061,210.00
Estimated liabilities	230,369,749.65	38,778,334.92	326,827,934.23	56,335,762.31
Payroll for retiring employees	205,444,970.60	46,801,275.11	213,441,982.56	48,397,486.95
Change in fair value of financial assets held for trading	68,534,195.46	13,383,643.97	3,293,017.52	812,182.06
Timing differences for long-term prepaid expenses	2,645,788.28	661,447.07	2,950,278.56	737,569.64
Change in fair value of investments in other equity instruments	148,863.90	29,772.78	179,166.08	35,833.22
Prepaid housing subsidy			39,690.00	9,922.50
Total	2,272,095,046.32	488,453,258.49	2,054,712,980.32	460,463,049.07

(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 financial assets held for trading	11,802,666.85	1,924,257.49	5,636,754.26	853,381.71
Change in fair value of investments in other equity instruments	27,258,739.66	6,796,109.16	26,361,696.24	6,554,692.11
Total	39,061,406.51	8,720,366.65	31,998,450.50	7,408,073.82

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(3) Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	495,100,383.42	398,462,131.93
Deductible tax loss	2,920,961,344.27	2,994,925,163.38
Total	3,416,061,727.69	3,393,387,295.31

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

Year	Ending balance	Beginning balance	Remarks
2018	85,198,213.35	57,249,857.84	
2019	978,383,291.76	866,106,203.03	
2020	757,779,109.31	834,445,062.06	
2021	832,537,802.18	1,091,870,431.98	
2022	177,816,654.58	145,253,608.47	
2023	89,246,273.09		
Total	2,920,961,344.27	2,994,925,163.38	

20. Other non-current assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	2,894,563.48	199,020,072.23
Total	2,894,563.48	199,020,072.23

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.

21. Short-term borrowings

(1) Breakdown of short-term borrowings

Type	Ending balance	Beginning balance
Secured borrowings	661,660,000.00	103,380,475.00
Guaranteed borrowings	12,475,006.37	19,505,750.00
Credit loans	2,163,670,750.00	2,552,528,750.00
Total	2,837,805,756.37	2,675,414,975.00

Guarantees:

- As at the end of the period, short-term borrowing of US\$100,000,000.00 (equivalent to RMB661,660,000.00) was secured by pledge of fixed bank deposit receipt of RMB750,000,000.00 by GSI, a subsidiary of the Company.
- As at the end of the period, short-term borrowing of RMB12,475,006.37 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.

(3) As at the end of the period, the weighted average annual interest rate of short-term borrowings was 2.08%.

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22. Financial liabilities held for trading

Item	Ending balance	Beginning balance
Financial liabilities held for trading	229,986,995.23	3,366,294.31
Including: Forward exchange contracts	229,986,995.23	3,366,294.31
Total	229,986,995.23	3,366,294.31

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

23. Notes and accounts payable

Item	No.	Ending balance	Beginning balance
Notes payable	(1)	1,405,519,580.19	1,772,284,568.59
Accounts payable	(2)	7,753,174,057.81	7,656,237,265.69
Total		9,158,693,638.00	9,428,521,834.28

(1) Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	1,386,662,580.19	1,599,584,847.84
Commercial acceptance bills	18,857,000.00	172,699,720.75
Total	1,405,519,580.19	1,772,284,568.59

Total notes payable due and unpaid as at the end of the period amounted to RMB29,811,000.00 (RMB0 as at the beginning of the year).

Among the above notes payable of the Group, RMB1,375,708,580.19 had an ageing of less than 180 days, and RMB29,811,000.00 had an ageing of 181-360 days.

(2) Accounts payable

1) Breakdown of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	4,930,260,981.74	4,732,575,259.17
Payment for projects under construction	113,313,615.61	139,654,470.85
Balance of product payment	374,682,971.29	522,958,298.33
Retention money	1,347,726,757.75	1,408,935,503.78
Other construction and labour services	987,189,731.42	852,113,733.56
Total	7,753,174,057.81	7,656,237,265.69

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

Ageing	Ending balance	Beginning balance
Within one year	5,750,931,829.59	6,410,815,147.85
1-2 years	1,628,658,862.73	820,663,794.19
2-3 years	189,987,735.18	198,414,252.64
Over 3 years	183,595,630.31	226,344,071.01
Total	7,753,174,057.81	7,656,237,265.69

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From 1 January 2018 to 30 June 2018

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3) *Significant accounts payable aged over one year*

Name of entity	Ending balance	Of which: Amount over one year	Reason for unsettlement or carrying forward
CSSC Systems Engineering Research Institute	676,466,760.69	267,109,976.07	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation A Research Institute	667,775,236.11	200,576,573.50	Project unsettled and retention money
Aviation Technology Research Institute of China Aerospace Science and Industry	160,348,400.00	110,381,300.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	131,616,792.55	68,408,028.76	Project unsettled
China Shipbuilding Industry Corporation C Research Institute	114,470,730.00	32,896,530.00	Equipment warranty and provisional estimates
China Shipbuilding NDRI Engineering Co., Ltd.	101,067,659.29	90,213,179.36	Project unsettled; undue
Shanghai Academy of Spaceflight Technology	92,405,000.00	92,405,000.00	Retention money and project payment
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	57,881,878.57	931,732.00	Retention money
Wenzhou Bohong Electric Co., Ltd.	34,487,370.00	2,668,245.00	Project unsettled
CSSC Systems Engineering Research Institute	31,995,550.00	7,305,550.00	Project unsettled
China Shipbuilding Industry Corporation D Research Institute	30,012,880.00	4,967,280.00	Project unsettled
China Shipbuilding Industry Corporation A Research Institute	24,301,220.00	1,432,500.00	Project unsettled
China Shipbuilding Industry Corporation E Research Institute	22,580,000.00	8,038,000.00	Project unsettled
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,475,785.09	18,472,294.28	Project unsettled
Shanghai Haixun Electrical Engineering Co., Ltd.	17,662,495.01	2,892,770.01	Project unsettled
Wuhan Marine Machinery Co., Ltd.	15,512,000.00	8,498,000.00	Project unsettled
Dalian Marine Diesel Engine Co., Ltd.	14,800,000.00	14,665,000.00	Project unsettled
Nanjing Panda Handa Technology Co., Ltd.	13,697,500.00	13,697,500.00	Project unsettled
Naval Medical Research Institute of the People's Liberation Army	10,763,000.00	10,763,000.00	Project unsettled
Total	2,236,320,257.31	956,322,458.98	–

24. **Contract liabilities**

Item	Ending balance	Beginning balance
Shipbuilding	6,474,475,073.94	5,707,321,092.50
Offshore engineering products	223,732,263.02	166,221,383.78
Steel structure engineering	210,451,266.78	186,345,235.49
Advance from customers for ship maintenance	249,781,569.50	159,273,643.54
Other products	143,271,812.02	201,150,176.67
Total	7,301,711,985.26	6,420,311,531.98

Note: Included in the carrying value of contract liabilities at the beginning of the period was income recognised of RMB3,340,580,491.23.

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25. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term employee benefits	32,198,622.63	1,699,804,894.47	1,694,207,334.32	37,796,182.78
Post-employment benefits				
– defined contribution plans		122,693,733.56	122,604,733.23	89,000.33
Termination benefits		490,470.70	490,470.70	
Total	32,198,622.63	1,822,989,098.73	1,817,302,538.25	37,885,183.11

(2) Short-term employee benefits

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	3,152,526.23	693,374,186.58	692,582,661.69	3,944,051.12
Employee benefits	5,072,421.30	34,794,296.59	34,794,296.59	5,072,421.30
Social insurance		66,750,777.48	66,750,777.48	
Including: Medical insurance		57,956,625.91	57,956,625.91	
Work-related injury insurance		2,366,157.65	2,366,157.65	
Maternity insurance		6,427,993.92	6,427,993.92	
Housing fund	2,862.00	90,910,357.00	90,910,465.00	2,754.00
Union & employee education funds	23,166,178.08	12,105,508.68	13,261,102.46	22,010,584.30
Outsourcing labour costs and others	804,635.02	801,869,768.14	795,908,031.10	6,766,372.06
Total	32,198,622.63	1,699,804,894.47	1,694,207,334.32	37,796,182.78

(3) Defined contribution plans

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

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

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Basic pension insurance		105,124,287.20	105,124,287.20	
Unemployment insurance		4,573,000.49	4,573,000.49	
Enterprise annuity contribution		12,996,445.87	12,907,445.54	89,000.33
Total		122,693,733.56	122,604,733.23	89,000.33

(2) The defined contribution plan contributions payable by the Group for the period amounted to RMB122,693,733.56 (Corresponding period of last year: RMB138,138,502.14). As at the end of the period, contribution payable amounting to RMB89,000.33 (as at the beginning of the year: RMB0.00) was due and outstanding during the reporting period, which had been paid subsequent to the end of the Reporting Period.

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26. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	5,136,055.34	12,265,607.37
Enterprise income tax	22,285,575.50	27,863,434.79
Individual income tax	3,863,918.86	12,498,390.83
City maintenance and construction tax	735,068.13	2,315,249.38
Property tax	16,209,314.52	3,702,324.29
Land use tax	5,303,067.17	11,175,389.40
Educational surcharge	525,018.66	1,653,676.76
Other taxes	1,554,673.35	1,005,668.61
Total	55,612,691.53	72,479,741.43

Note 1: As at the end of the period, 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 the period, included in the enterprise income tax under taxes payable was Hong Kong profits tax payable of RMB1,284,373.75 (as at the beginning of the year: RMB1,313,567.59).

27. Other payables

Item	No.	Ending balance	Beginning balance
Interest payable	(1)	12,539,841.41	13,010,817.17
Dividends payable	(2)	5,042,030.10	383,540.92
Other payables	(3)	186,595,633.93	234,291,737.22
Total		204,177,505.44	247,686,095.31

(1) Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings of which the interest is paid in installments and the principal is repaid when due	6,103,049.78	10,630,316.28
Interest payable on short-term borrowings	6,436,791.63	2,380,500.89
Total	12,539,841.41	13,010,817.17

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

(2) Dividends payable

Item	Ending balance	Beginning balance
Dividends payable for A shares	68,078.78	145,589.60
Dividends payable for H shares	237,951.32	237,951.32
Dividend payable by subsidiaries to minority interests	4,736,000.00	
Total	5,042,030.10	383,540.92

NOTES TO THE FINANCIAL STATEMENTS

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(3) Other payables

1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	90,247,370.81	93,930,500.59
Payable for temporary receipts	96,348,263.12	140,361,236.63
Total	186,595,633.93	234,291,737.22

2) Significant other payables aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
China Shipbuilding NDRI Engineering Co., Ltd.	4,582,544.15	Performance bonds
Jiujiang Hangli Marine Engineering Co., Ltd.	2,877,000.00	Security deposit
Suning 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
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	1,701,000.00	Security deposit
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
Shanghai Merchant Vessel Design and Research Institute	1,250,000.00	Performance bonds
No.5 Engineering Company of CCCC First Harbor Engineering Co. Ltd	1,052,580.00	Performance bonds
Nanjing Glaway Software Co., Ltd.	1,002,190.00	Performance bonds
Guangzhou Wenchong Shipyard Co., Ltd.	694,746.82	Social security contribution made
Guangzhou Jiurui Steel Structures Co., Ltd.	300,000.00	Security deposit
Foshan Nanhai Yangming Ship Hardware Co., Ltd.	300,000.00	Security deposit
Total	20,696,703.55	

28. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due with one year	3,127,000,000.00	4,482,400,000.00
Total	3,127,000,000.00	4,482,400,000.00

29. Other current liabilities

(1) Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Short-term deferred income	6,210,049.38	6,212,549.77
Including: Government grants	6,210,049.38	6,212,549.77
Output tax to be transferred	42,979,583.69	34,779,914.08
Commercial acceptance bills endorsed and undue		79,659,400.00
Advances from customers for shipbuilding orders cancelled		16,598,727.43
Total	49,189,633.07	137,250,591.28

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(2) Government grants

Project	Beginning balance	New grants received during the period	Decrease for the period			Other changes	Ending balance	Relating to assets/ Relating to revenue	
			Included in non-operating income	Included in other income	Offsetting cost and expenses				
Maritime business expansion	3,500,000.00			1,750,000.00		1,750,000.00	3,500,000.00	Relating to assets	
Offshore engineering project phase I	1,500,000.00			750,000.00		750,000.00	1,500,000.00	Relating to assets	
Innovation capability development project	300,000.00			150,000.00		150,000.00	300,000.00	Relating to assets	
Offshore platform project	300,000.00			150,000.00		150,000.00	300,000.00	Relating to assets	
Hydraulic flatbed trailers	166,666.68			83,333.34		83,333.34	166,666.68	Relating to assets	
Coating technology process and transformation	153,698.64			76,849.32		76,849.32	153,698.64	Relating to assets	
Technical upgrading for new ship research equipment	142,191.84			71,095.92		71,095.92	142,191.84	Relating to assets	
Base construction subsidy	62,182.78						62,182.78	Relating to assets	
No. 1 Dock adaptive transformation (1)	33,333.36			16,666.68		16,666.68	33,333.36	Relating to assets	
No. 1 Dock adaptive transformation	26,666.64			13,333.32		13,333.32	26,666.64	Relating to assets	
Other items relating to assets	27,809.83			15,155.11		12,654.72	25,309.44	Relating to assets	
Interest subsidy		20,210,000.00				20,210,000.00		Relating to revenue	
Development of dual-fuel high-speed luxury Ro/Ro ships		2,530,000.00				2,530,000.00		Relating to revenue	
Award for pillar high-quality enterprise in Nansha District		900,000.00		900,000.00				Relating to revenue	
Demonstration application of very large intelligent ore carriers		500,000.00				500,000.00		Relating to revenue	
Immediately refunded value-added tax		345,136.61		345,136.61				Relating to revenue	
Other items relating to revenue		1,837,900.95	478,200.00	821,300.00		538,400.95		Relating to revenue	
Total	6,212,549.77	26,323,037.56	478,200.00	5,142,870.30		23,778,400.95	3,073,933.30	6,210,049.38	-

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

30. Long-term borrowings

Type	Ending balance	Beginning balance
Guaranteed borrowings	832,000,000.00	1,332,000,000.00
Credit loans	6,745,757,000.00	11,293,257,000.00
Total	7,577,757,000.00	12,625,257,000.00
The carrying amount of the above borrowings shall be repaid:		
Within one year	3,127,000,000.00	4,482,400,000.00
Over one year but less than two years after balance sheet date	2,305,900,000.00	4,908,000,000.00
Over two years but less than five years after balance sheet date	400,000,000.00	1,490,000,000.00
Over five years after balance sheet date	1,744,857,000.00	1,744,857,000.00
Less: Amount due within one year shown under current liabilities	3,127,000,000.00	4,482,400,000.00
Amount shown under non-current liabilities	4,450,757,000.00	8,142,857,000.00

Note: Interest rates of long-term borrowings range from 1.08% to 5.00%.

Details of security:

As at the end of the period, long-term borrowing amounted to RMB832,000,000.00, of which RMB500,000,000.00 was guaranteed by Wenchong Shipyard, a subsidiary of the Company, for Huangpu Wenchong and RMB332,000,000.00 was guaranteed by Huangpu Wenchong for Wenchong Shipyard.

Details of interest rates: As at the end of the period, the weighted average annual interest rate of long-term borrowings was 2.75%.

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31. Long-term payables

Item	Ending balance	Beginning balance
Long-term employee benefits payable	248,805,330.11	263,749,760.23
Special payables	99,370,000.00	99,370,000.00
Total	348,175,330.11	363,119,760.23

(1) 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}	195,668,500.60	203,570,067.56
Monetary housing allowance for retired employees	41,459,689.48	48,648,155.58
Financial assistance for property purchase	10,720,668.79	10,585,318.28
Medical insurance for retirees	956,471.24	946,218.81
Total	248,805,330.11	263,749,760.23

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).

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

Item	Current period
Beginning balance	203,570,067.56
Cost of defined benefits included in profit or loss for the period	3,735,234.70
1. Service cost for current period	
2. Service cost for previous period	
3. Gains on settlement (Loss expressed with “-”)	
4. Net interest	3,735,234.70
Cost of defined benefits included in other comprehensive income	
1. Gains on settlement (Loss expressed with “-”)	
Other changes	-11,636,801.66
1. Liabilities eliminated upon settlement	
2. Benefits paid	-11,636,801.66
Ending balance	195,668,500.60

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

Item	Current period
Beginning balance	203,570,067.56
Cost of defined benefits included in profit or loss for the period	3,735,234.70
Cost of defined benefits included in other comprehensive income	
Other changes	-11,636,801.66
Ending balance	195,668,500.60

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(2) Special payables

Project	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Project A	17,850,000.00			17,850,000.00
Project B	6,720,000.00			6,720,000.00
Project C	26,600,000.00			26,600,000.00
Project D	4,500,000.00			4,500,000.00
Project E	43,700,000.00			43,700,000.00
Project F		45,500,000.00	45,500,000.00	
Project G		32,000,000.00	32,000,000.00	
Total	99,370,000.00	77,500,000.00	77,500,000.00	99,370,000.00

Note 1: The above are state funds allocated to the projects, and as the capital investment in the Company or its subsidiaries from the state, they belong to the state exclusively when the projects have been completed and approved as qualified.

Note 2: The decrease for the period was mainly due to the transfer of government grants for GSI and Huangpu Wenchong, both subsidiaries of the Company, to the capital reserve of CSSC, which was included in "minority interests" in the financial statements.

Note 3: The breakdown of projects completed, inspected and accepted as at the end of the period is as follows:

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

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

32. Estimated liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	367,562,291.92	398,743,710.66	Warranty cost of ships and electromechanical products
Expected loss on shipbuilding and offshore engineering products contracts	216,647,979.85	283,926,531.04	Note
Others		65,910,344.68	
Total	584,210,271.77	748,580,586.38	

Note: The expected loss on ships and offshore engineering products represent the expected contract loss recognised by the Group in accordance with the effective ship and offshore engineering product contracts signed and based on the difference between the expected contract revenue and expected total contract cost, which is written off based on the progress of product completion.

33. Deferred income

(1) Breakdown of deferred income

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Government grants	31,895,704.27	26,770,720.00	10,054,554.26	48,611,870.01
Rental for workers' dormitory		45,727,410.96	7,392,126.34	38,335,284.62
Total	31,895,704.27	72,498,130.96	17,446,680.60	86,947,154.63

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(2) Projects with government grants

Project	Beginning balance	New grants received during the period	Decrease for the period			Other changes	Ending balance	Relating to assets/ Relating to revenue
			Included in non-operating income	Included in other income	Offsetting cost and expenses			
Offshore expansion projects	7,000,000.00					-1,750,000.00	5,250,000.00	Relating to assets
Separation and transfer of water, power and gas supply and property management business	6,042,226.86		910,064.94				5,132,161.92	Relating to assets
Offshore engineering phase I	3,000,000.00	-				750,000.00	2,250,000.00	Relating to assets
Research of comprehensive building process and technology	2,461,960.44	3,000,000.00			1,015,393.05		4,446,567.39	Relating to revenue
Others	2,443,063.31	120,720.00	78,569.76		478,481.84	-12,654.72	1,994,076.99	
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	1,561,117.79		31,091.40				1,530,026.39	Relating to assets
Offshore platform project	1,500,000.00					-150,000.00	1,350,000.00	Relating to assets
09E01-3	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)	599,999.68					-16,666.68	583,333.00	Relating to assets
Post-R&D grant for enterprises	560,000.00						560,000.00	Relating to revenue
Self-propelled hydraulic flatbed trailer	541,666.55					-83,333.34	458,333.21	Relating to assets
Special grant for the research of large liners	515,481.96				360,585.63		154,896.33	Relating to revenue
Coating technology process and transformation	486,712.24					-76,849.32	409,862.92	Relating to assets
No. 1 Dock adaptive transformation	480,000.64					-13,333.32	466,667.32	Relating to assets
Technical upgrading for new ship research equipment	426,574.80					-71,095.92	355,478.88	Relating to assets
Research of advanced solid/fusion welding technologies for thin-walled ship hull	360,000.00						360,000.00	Relating to revenue
Enterprise technology centre innovation capability development project	300,000.00					-150,000.00	150,000.00	Relating to assets
Research of common key processes and technologies for smart manufacturing of ships		10,100,000.00					10,100,000.00	Relating to revenue
Development and application of MW marine waterjet propulsion system		700,000.00					700,000.00	Relating to revenue
Preparation and implementation of "three rules" of enterprises		90,000.00					90,000.00	Relating to revenue
Research of technologies for management and control of smart ship block workshops		2,200,000.00			485,034.37		1,714,965.63	Relating to revenue
Research of technologies for smart service production scheduling for complex shipbuilding environment		400,000.00					400,000.00	Relating to revenue
Development of ships design and construction technical standards		400,000.00					400,000.00	Relating to revenue
Development of standard shipbuilding processes		100,000.00					100,000.00	Relating to revenue
Coordinated innovative research and application of composite wear resistant components for high-end equipment		4,000,000.00			2,600,000.00		1,400,000.00	Relating to revenue
Research of key technologies for heavy polar icebreakers		1,160,000.00			153,068.13		1,006,931.87	Relating to revenue
Research of key common technology for smart ship manufacturing		800,000.00			81,271.86		718,728.14	Relating to revenue
Research of energy-saving and environment-friendly manufacturing system and key processes		1,200,000.00			127,059.98		1,072,940.02	Relating to revenue
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things		1,300,000.00					1,300,000.00	Relating to revenue
Research and development of key technologies for navigation dynamic positioning		1,200,000.00			660,000.00		540,000.00	Relating to revenue
Total	31,895,704.27	26,770,720.00	1,019,726.10		5,960,894.86	-3,073,933.30	48,611,870.01	-

Note: "Other Change" amounted to RMB-3,073,933.30 during the period, representing the transfer of government grants expected to be recognised in the income statement within one year to "Other current liabilities".

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34. 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 period

Name/type of shareholder	Beginning balance		Increase or decrease (+, -)				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	592,071,197.00	41.88						592,071,197.00	41.88
Shares subject to selling restriction									
Ordinary shares denominated in RMB	272,099,300.00	19.25						272,099,300.00	19.25
Shares held by foreign investors including: Shares held by overseas legal persons									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Corresponding period of last year

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

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

35. Capital reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share premium	6,783,900,094.60	1,192,232,751.72		7,976,132,846.32
Other capital reserve	66,069,542.02	127,154.62		66,196,696.64
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	6,868,230,515.41	1,192,359,906.34		8,060,590,421.75

Note 1: During the period, share premium increased by RMB1,192,232,751.72, mainly due to the difference between the additional capital contribution made and the respective net assets of GSI and Huangpu Wenchong, both subsidiaries of the Company, attributable to new shareholders which were introduced for market-based debt-to-equity conversion and capital increase.

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Note 2: Other capital reserve increased by RMB127,154.62 during the period, as a result of change in equity other than comprehensive income of Zhenjiang CSSC Equipment Modern Co., Ltd., an associate of the Company, and increase in capital reserve during the period

Corresponding period of last year

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

36. Other comprehensive income

Current period:

Item	Beginning balance	Current period						Ending balance
		Amount incurred for the period before income tax	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss/retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax	Amount attributable to minority interests after tax	Dilution of shareholding in subsidiaries	
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss	-42,524,522.23	-1,909,147.23	159,937.61	275,701.78	-2,431,862.12	87,075.50	-13,697,182.76	-31,259,201.59
Including: 1. Change in remeasurement of defined benefit plans	-61,938,500.00						-19,190,777.09	-42,747,722.91
2. Change in fair value of investments in other equity instruments	19,413,977.77	-1,909,147.23	159,937.61	275,701.78	-2,431,862.12	87,075.50	5,493,594.33	11,488,521.32
(ii) Other comprehensive income that will be subsequently reclassified to profit or loss	-66,874.94	-115,725.79			-1,746,185.02	1,630,459.23	-1,675,027.05	-138,032.91
Including: 1. Other comprehensive income that may be reclassified to profit or loss under equity method		-158,207.39			-120,904.30	-37,303.09		-120,904.30
2. Exchange differences arising from translation of foreign currency financial statements	-66,874.94	42,481.60			-1,625,280.72	1,667,762.32	-1,675,027.05	-17,128.61
Total other comprehensive income	-42,591,397.17	-2,024,873.02	159,937.61	275,701.78	-4,178,047.14	1,717,534.73	-15,372,209.81	-31,397,234.50

Note 1: The amount of dilution in the equity interest in subsidiaries was mainly due to the decrease in the share of other comprehensive income as a result of the decrease in the percentage of interest held by the Company, which in turn was due to the introduction of new shareholders for GSI and Huangpu Wenchong and the increase in capital via cash.

Note 2: Details of the reason for the increase in the beginning balance of other comprehensive income compared to the ending balance as at the end of last year were stated in Note IV.34(1).

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Corresponding period of last year

Item	Beginning balance	Current period				Ending balance
		Amount incurred for the period before income tax	Less: Amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax 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 will be subsequently reclassified into profit or loss						
Including: Gains and losses from changes in fair value of available-for-sale financial assets	1,497,282.55	213,038.28			213,038.28	1,710,320.83
	1,497,282.55	213,038.28			213,038.28	1,710,320.83
Total other comprehensive income	-60,441,217.45	213,038.28			213,038.28	-60,228,179.17

37. Special reserve

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Production safety fee	2,010,677.96	28,839,280.16	29,265,460.01	1,584,498.11
Total	2,010,677.96	28,839,280.16	29,265,460.01	1,584,498.11

Note: The increase in production safety fee during the period 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.

Corresponding period of last year

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

38. Surplus reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	942,521,055.08			942,521,055.08
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	962,441,825.31			962,441,825.31

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Corresponding period of last year

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

39. Undistributed profit

Item	Current period	Corresponding period of last year
Ending balance of last year	1,228,681,091.09	1,173,657,685.44
Add: Beginning adjustment to undistributed profit	-28,415,790.16	
Beginning balance of the year	1,200,265,300.93	1,173,657,685.44
Add: Net profit attributable to owners of the Company for the period	-294,982,112.04	43,972,225.89
Add: Transfer from other comprehensive income to retained earnings	159,937.61	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
Provision for general risks		
Dividends payable on ordinary shares		22,616,102.05
Ending balance of current period	905,443,126.50	1,195,013,809.28

Description: Details of the reason for the adjustment to the balance of undistributed profit as at the beginning of the year against the balance as at the end of last year were set out in Note IV.34(1).

40. Minority interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Guangzhou Hongfan Computer Technology Co., Ltd.	49.00	17,437,252.42	17,257,656.48
Guangzhou Longxue Pipe Co., Ltd.	57.14	32,067,451.21	32,077,509.07
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	40.00	1,110,682.12	1,226,756.86
Fonkwang Development Limited	20.00	11,685,437.09	16,631,831.30
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	59.50	696,377.09	618,830.56
Guangzhou Xinhang Human Resources Service Co., Ltd.	25.00	944,707.58	899,525.07
Guangzhou Longxue Properties Co., Ltd.		0.00	68,371.71
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	62.50	3,194,829.15	3,192,897.17
Wah Shun International Marine Limited	1.00	12,734.88	8,037.37
Wah Loong International Marine Limited	1.00	47,552.21	8,049.41
Guangzhou Shipyard International Company Limited	23.58	1,844,944,610.69	
CSSC Huangpu Wenchong Shipbuilding Company Limited	30.98	1,707,161,665.35	
Guangzhou Shipyard International Company Limited (solely owned)	Note	325,640,000.00	293,640,000.00
CSSC Huangpu Wenchong Shipbuilding Company Limited (solely owned)	Note	1,211,469,744.58	1,165,969,744.58
Total	-	5,156,413,044.37	1,531,599,209.58

Note: The minority interests (solely owned) 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.

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41. Net current assets

Item	Ending balance	Beginning balance
Current assets	29,267,458,302.81	30,123,160,605.20
Less: Current liabilities	23,002,063,388.01	23,499,629,686.22
Net current assets	6,265,394,914.80	6,623,530,918.98

42. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	44,949,455,570.71	44,728,953,320.94
Less: Current liabilities	23,002,063,388.01	23,499,629,686.22
Total assets less current liabilities	21,947,392,182.70	21,229,323,634.72

43. Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	2,837,805,756.37	2,675,414,975.00
Non-current liabilities due within one year	3,127,000,000.00	4,482,400,000.00
Long-term borrowings	4,450,757,000.00	8,142,857,000.00
Total	10,415,562,756.37	15,300,671,975.00

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	6,430,805,756.37	9,293,414,975.00
– Bank borrowings repayable after 5 years	1,744,857,000.00	1,744,857,000.00
Other borrowings		
– Other borrowings repayable within 5 years	2,239,900,000.00	4,262,400,000.00
– Other borrowings repayable after 5 years		
Total	10,415,562,756.37	15,300,671,975.00

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	5,964,805,756.37	7,157,814,975.00
1-2 years	2,305,900,000.00	4,908,000,000.00
2-5 years	400,000,000.00	1,490,000,000.00
Over 5 years	1,744,857,000.00	1,744,857,000.00
Total	10,415,562,756.37	15,300,671,975.00

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44. Operating income & Operating costs

Item	Current period	Corresponding period of last year
Income from principal business	8,115,528,985.02	10,283,017,857.53
Income from other business	104,406,634.39	134,513,339.92
Total	8,219,935,619.41	10,417,531,197.45
Costs of principal business	8,075,571,250.13	9,457,282,502.27
Costs of other business	64,337,138.87	112,291,475.11
Total	8,139,908,389.00	9,569,573,977.38

Gross profit from principal business

Item	Current period	Corresponding period of last year
Income from principal business	8,115,528,985.02	10,283,017,857.53
Costs of principal business	8,075,571,250.13	9,457,282,502.27
Gross profit	39,957,734.89	825,735,355.26

Including: By timing of recognition of revenue:

Item	Current period	Corresponding period of last year
Recognised at a point in time	1,040,630,163.86	–
Recognised over time	7,074,898,821.16	–
Sub-total of income from principal business	8,115,528,985.02	–

(1) Principal business – by product

Product name	Current period	Corresponding period of last year
Income from principal business		
Shipbuilding	6,283,141,777.05	7,674,361,462.69
Offshore engineering products	743,829,381.34	1,784,423,678.93
Ship maintenance	40,226,893.31	48,735,468.03
Steel structure engineering	166,534,131.26	312,126,731.28
Electromechanical products and others	881,796,802.06	463,370,516.60
Total	8,115,528,985.02	10,283,017,857.53
Costs of principal business		
Shipbuilding	6,196,218,059.63	6,936,447,935.03
Offshore engineering products	853,123,607.73	1,805,394,959.82
Ship maintenance	22,130,382.21	41,150,270.39
Steel structure engineering	155,946,666.27	265,852,424.00
Electromechanical products and others	848,152,534.29	408,436,913.03
Total	8,075,571,250.13	9,457,282,502.27

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(2) Principal business – by region

Region name	Current period	Corresponding period of last year
Income from principal business		
China (including Hong Kong, Macau and Taiwan)	4,807,860,459.38	6,719,257,671.90
Other regions in Asia	256,116,670.75	866,560,420.94
Europe	1,669,003,495.52	1,809,924,941.80
Oceania	235,552,115.80	565,739,206.58
North America	874,090,624.27	264,673,443.70
Africa	227,579,212.20	56,862,172.61
South America	45,326,407.10	
Total	8,115,528,985.02	10,283,017,857.53
Costs of principal business		
China (including Hong Kong, Macau and Taiwan)	4,762,624,252.48	6,171,100,633.35
Other regions in Asia	247,496,297.44	825,498,288.97
Europe	1,718,449,352.37	1,719,938,861.32
Oceania	233,346,125.82	464,249,218.63
North America	836,142,801.47	257,230,365.46
Africa	232,186,013.45	19,265,134.54
South America	45,326,407.10	
Total	8,075,571,250.13	9,457,282,502.27

(3) Other operating income and other operating costs

Product name	Current period	Corresponding period of last year
Income from other business		
Sale of materials	31,907,025.67	21,399,381.83
Sales of scrap materials	25,700,264.58	36,650,823.98
Service income	5,702,348.52	4,976,428.39
Rental income	14,529,232.56	42,927,534.78
Energy income	15,478,663.12	23,168,451.38
Others	11,089,099.94	5,390,719.56
Total	104,406,634.39	134,513,339.92
Costs of other business		
Sale of materials	29,753,690.21	27,599,044.18
Sales of scrap materials	10,028,247.66	24,208,630.79
Service income	4,218,850.36	4,442,983.50
Rental income	6,214,967.98	32,207,445.74
Energy income	6,324,061.50	23,090,582.89
Others	7,797,321.16	742,788.01
Total	64,337,138.87	112,291,475.11

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(4) Contracts and projects recognised over time

Contract item	Total contract amount	Accumulated cost incurred	Accumulated gross profit recognised	Amount settled	Provision for impairment at the end of the period
Fixed price contracts					
Total contracts under construction	64,031,209,423.91	24,292,470,730.47	506,055,542.11	23,366,991,633.81	216,647,979.85
Special ships	29,594,090,817.69	12,273,795,830.33	766,343,292.72	14,059,048,011.78	3,609,525.90
Offshore engineering products	2,598,469,574.89	1,607,821,163.95	-97,330,932.65	378,515,592.90	33,529,153.82
Tankers for product oil/chemicals	11,728,598,370.52	4,765,084,100.60	-64,549,484.60	4,041,615,838.82	154,564,394.03
Containerships	7,136,959,233.30	1,966,272,204.56	48,988.99	1,605,576,441.82	21,245,469.27
Ro-ro passenger ships	5,876,116,797.00	1,817,849,734.38	-53,567,534.26	1,713,853,065.30	
Crude oil tankers	1,344,038,400.00	2,183,915.39		104,956,000.00	
Bulk carriers	1,245,680,876.00	464,433,486.66	-41,749,309.03	249,474,894.06	95,274.98
Dredgers	2,781,760,000.00	215,683,563.96	2,591,242.79	274,045,255.53	
Ore carriers	950,909,420.50	566,274,976.98	-7,367,505.60	409,307,440.00	2,392,116.57
Non-ship building contracts	774,585,934.01	613,071,753.66	1,636,783.75	530,599,093.60	1,212,045.28

As the shipbuilding market is still in the tough 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 contract loss.

(5) Top five customers by operating income

Customers	Relationship with the Group	Current period	Proportion (%)
Customer 1	Third party	2,522,485,045.67	31.02
Customer 2	Third party	822,312,322.68	10.11
Customer 3	Third party	409,552,604.97	5.04
Customer 4	Third party	326,205,484.88	4.01
Customer 5	Third party	284,872,690.39	3.50
Total		4,365,428,148.59	53.68

(6) Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Current period	Percentage of total operating costs (%)
First	Under common control of CSSC	1,146,421,418.25	14.20
Second	Third party	356,189,500.00	4.41
Third	Third party	178,637,000.00	2.21
Fourth	Under common control of CSSC	117,945,923.93	1.46
Fifth	Third party	108,447,766.05	1.34
Total		1,907,641,608.23	23.62

45. Taxes and surcharges

Item	Current period	Corresponding period of last year
City maintenance and construction tax	4,359,929.23	8,411,239.20
Educational surcharge	3,106,000.15	6,007,549.41
Property tax	16,957,106.87	11,840,864.66
Land use tax	4,008,755.85	5,729,219.85
Stamp duty	7,243,497.64	2,214,004.58
Vehicle usage tax	152,901.15	269,394.24
Environmental protection tax	310,981.30	
Total	36,139,172.19	34,472,271.94

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46. Selling expenses

Item	Current period	Corresponding period of last year
Product quality warranty	8,928,946.32	65,166,106.44
Employee salaries	10,871,250.72	10,675,638.43
Transportation fees	1,642,643.26	1,328,074.39
Business expenditure	1,380,940.72	1,284,054.90
Advertising fee	1,406,454.71	751,107.24
Exhibition fees	1,651,354.51	1,018,913.15
Depreciation charge	33,598.96	32,062.38
Lease expenses	327,745.37	361,310.98
Travelling expense	1,358,252.14	1,478,497.88
Other selling expenses	344,499.33	504,668.57
Total	27,945,686.04	82,600,434.36

47. Administrative expenses

Item	Current period	Corresponding period of last year
Employee salaries	188,366,831.58	190,979,341.13
Repairing expenses	42,251,435.19	46,285,991.57
Labour service fee	9,048,168.42	10,012,729.15
Depreciation charge	24,950,089.14	19,937,729.64
Amortisation of intangible assets	25,266,953.48	26,730,799.69
Business entertainment expense	2,359,616.13	2,113,699.11
Travelling expense	3,488,996.36	4,592,479.46
Security, fire fighting and safety activity fee	8,354,515.08	8,353,412.43
Intermediary fee	562,550.75	1,085,362.63
Board meeting fee	1,792,044.43	1,065,029.38
Utilities expense	2,658,937.10	4,072,242.40
Office expenses	1,340,626.10	1,421,386.87
Lease expenses	11,691,083.67	19,524,020.03
Insurance premium	1,792,829.49	2,438,827.18
Environmental protection fee	1,853,347.47	7,180,264.44
Other administrative expenses	34,166,847.52	30,540,160.83
Total	359,944,871.91	376,333,475.94

48. Research and development expenses

Item	Current period	Corresponding period of last year
Research and development expenses	183,184,126.04	147,018,458.15
Total	183,184,126.04	147,018,458.15

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Research and development expenses during the period

Project	Beginning balance	Increase for the period Internal research and development expense	Decrease for the period Transfer to profit or loss for current period	Ending balance
Research and development of ro-ro passenger ships		31,529,988.86	31,529,988.86	
Research of key technologies for designing and building of multifunctional wind power engineering ships		16,262,009.24	16,262,009.24	
Research and development of trenching ships		15,962,505.04	15,962,505.04	
Research and development of processes and technologies for underwater acoustic ships		12,803,854.22	12,803,854.22	
Research and development of containerships		12,108,123.21	12,108,123.21	
Development of rake dredgers		5,390,396.42	5,390,396.42	
Development of self-propelled cutter suction dredgers		2,515,367.04	2,515,367.04	
Research of polar module carriers		9,957,680.99	9,957,680.99	
Research and development of high speed ships		5,374,797.46	5,374,797.46	
Development and application of marine waterjet propulsion system		4,725,629.67	4,725,629.67	
Research and development of semi-submersible ships		4,298,532.09	4,298,532.09	
Research and development of key technologies for smart manufacturing		4,260,920.31	4,260,920.31	
Research and manufacturing of third-generation chemical/oil tankers		3,635,369.40	3,635,369.40	
Research and development of manufacturing process and fitting for advanced ships (1)		3,343,279.78	3,343,279.78	
Research and development of energy-saving and environment-friendly VLOC ships		3,129,873.73	3,129,873.73	
Research and development of Antarctic krill ships		3,083,582.20	3,083,582.20	
Special key common technology for smart ship manufacturing		2,772,389.41	2,772,389.41	
Research of key technologies for saturation diving supporting ships		2,510,607.88	2,510,607.88	
Research and development and industrial application of design and building technology for super deepwater floating production, storage and offloading domestic module units (FPSO)		2,438,458.19	2,438,458.19	
Research of key welding technologies for polar condensate tanker hull		2,137,357.55	2,137,357.55	
Research of water surface unmanned boats		2,135,914.01	2,135,914.01	
Research and systematic research and development of key technologies for smart diving control of semi-submersible ships		2,023,246.12	2,023,246.12	
Other research and development projects		43,217,982.79	43,217,982.79	
Total		195,617,865.61	195,617,865.61	

During the period, among the research and development expenses, RMB183,184,126.04 (corresponding period of last year: RMB147,018,458.15) was transferred to research and development cost, RMB4,036,676.39 (corresponding period of last year: RMB31,626,494.16) was transferred to operating costs, and RMB8,397,063.18 (corresponding period of last year: RMB0) offset government grants.

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

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49. Finance cost

(1) Breakdown of finance costs

Item	Current period	Corresponding period of last year
Interest expenses	137,501,934.99	190,480,197.43
Less: Interest income	106,540,470.69	113,527,866.70
Add: Exchange losses	29,633,800.30	115,707,216.92
Add: Other expenses	2,533,886.16	5,804,282.08
Total	63,129,150.76	198,463,829.73

(2) Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years	138,588,899.15	158,427,258.92
Other borrowings		
Interest on other borrowings due within 5 years	21,514,993.95	36,485,566.42
Other interest expenses		
Sub-total	160,103,893.10	194,912,825.34
Less: Interest capitalised	2,391,958.11	4,432,627.91
Less: Interest subsidy	20,210,000.00	
Total	137,501,934.99	190,480,197.43

(3) Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	101,148,606.94	113,527,866.70
Interest income from receivables	5,391,863.75	
Total	106,540,470.69	113,527,866.70

50. Loss on impairment of assets

Item	Current period	Corresponding period of last year
Loss on impairment of inventories	80,048,917.97	18,310,217.17
Total	80,048,917.97	18,310,217.17

51. Credit impairment loss

Item	Current period	Corresponding period of last year
Loss on bad debts	11,086,333.77	-4,003,144.53
Total	11,086,333.77	-4,003,144.53

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52. Other income

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Offshore expansion projects	1,750,000.00	1,750,000.00	Local government grants	Relating to assets
Award for pillar high-quality enterprise in Nansha District	900,000.00		Nansha District Finance Bureau of Guangzhou	Relating to revenue
Offshore engineering phase I	750,000.00	750,000.00	Local government grants	Relating to assets
Immediately refunded value-added tax	345,136.61	714,152.98	Refund upon payment	Relating to revenue
Award for passing hi-tech enterprise certification	280,000.00		Nansha Technology and Information Bureau	Relating to revenue
Patent grant from Guangzhou Intellectual Property Office	179,200.00		Guangzhou Intellectual Property Office	Relating to revenue
Enterprise technology centre innovation capability development project	150,000.00	150,000.00	Central government	Relating to assets
Offshore platform project	150,000.00	150,000.00	Local government grants	Relating to assets
Grant for application for hi-tech enterprise	120,000.00		Guangzhou Technological Innovation Committee	Relating to revenue
Ship optimisation payment contract subsidy from Guangzhou Technological Innovation Committee	120,000.00		Guangzhou Technological Innovation Committee	Relating to revenue
Hydraulic flatbed trailers	83,333.34	83,333.34	Central government	Relating to assets
Coating technology process and transformation	76,849.32	76,849.32	Municipal government	Relating to assets
Technical upgrading for new ship research equipment	71,095.92	71,095.92	Commission for Science, Technology and Industry for National Defense	Relating to assets
Batch 2 patent grant from Guangzhou Intellectual Property Office	62,100.00		Guangzhou Intellectual Property Office	Relating to revenue
Invention patent grant for major contributors from Guangzhou Intellectual Property Office	60,000.00		Guangzhou Intellectual Property Office	Relating to revenue
No. 1 Dock adaptive transformation (1)	16,666.68	16,666.68	Provincial government	Relating to assets
No. 1 Dock adaptive transformation	13,333.32	13,333.32	Municipal government	Relating to assets
Subsidies for 7 projects including marine passenger/medical cargo elevators		180,200.00	In accordance with the relevant requirements of the implementation proposal for special post-utilisation grant for research and development expenses of enterprises in Guangzhou	Relating to revenue
Technological innovations		409,300.00	Guangzhou Technological Innovation Committee	Relating to revenue
Base construction subsidy (Zhong Kai Guan Ban [2009] No.74)		31,091.39	Government grants	Relating to revenue
Nansha government special fund for 2016 service outsourcing		400,000.00	Municipal government	Relating to revenue
Special post-R&D grant project		6,152,000.00	Municipal government	Relating to revenue
Special grant of Nansha Development Zone for transformation and upgrading of processing trade for 2016		1,000,000.00	Municipal government	Relating to revenue
Research and development subsidy		111,500.00	Government grant	Relating to revenue
Special post-R&D grant for enterprises in Guangzhou for 2016		8,123,700.00	National government subsidy	Relating to revenue
Transferring capabilities of regional value integration and upgrading technologies		8,333.34	Commission for Science, Technology and Industry for National Defense	Relating to assets
Other grants relating to assets	15,155.11	17,654.70	State and local governments	Relating to assets
Total	5,142,870.30	20,209,210.99	-	-

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53. Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	-4,676,326.34	310,227.63
Investment income from disposal of long-term equity investments	-37,413.98	19,349.00
Investment income from disposal of financial assets held for trading	-548,000.00	4,200.02
Investment income from holding entrusted wealth management products	25,683,820.27	26,507,232.89
Investment income from holding investments in equity instruments	13,750.00	76,008.09
Total	20,435,829.95	26,917,017.63

The investment income from investment in listed companies and non-listed companies for the period amounted to RMB13,750.00 (Corresponding period of last year: RMB76,008.09) and RMB20,422,079.95 (Corresponding period of last year: RMB26,841,009.54), respectively.

54. Gain/loss on change in fair value

Item	Current period	Corresponding period of last year
Change in fair value of financial assets held for trading	5,200,410.94	
Change in fair value of financial liabilities held for trading	-226,620,700.92	-655,224.92
Total	-221,420,289.98	-655,224.92

55. Non-operating income

(1) Breakdown of non-operating income

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Gain on disposal of non-current assets	40,516.04	1,501,708.53	40,516.04
Including: Gain on disposal of fixed assets	40,516.04	1,501,708.53	40,516.04
Government grants	1,497,926.10	13,503,420.00	1,497,926.10
Penalty income	59,729.26	48,700.00	59,729.26
Compensation income	1,100,424.56		1,100,424.56
Compensation for assets relocation	553,814,885.69		553,814,885.69
Transfer from claims under the balance of social security fund	7,251,931.72		7,251,931.72
Others	488,068.71	7,759,062.37	488,068.71
Total	564,253,482.08	22,812,890.90	564,253,482.08

The amount included in non-recurring gains and losses for the period was RMB564,253,482.08 (Corresponding period of last year: RMB22,812,890.90).

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(2) Breakdown of government grants

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Separation and transfer of water, power and gas supply and property management business	910,064.94	11,580,000.00	Ministry of Finance	Relating to revenue
Special funds for fair trade in imports and exports in Guangzhou	300,000.00		Guangzhou Municipal Commission of Commerce	Relating to revenue
Trade friction response research fund	165,000.00		Guangzhou Municipal Commission of Commerce	Relating to revenue
Ship pipes high-efficiency production technology upgrading project	77,849.76		Government subsidy	Relating to assets
Base construction subsidy	31,091.40		Government grants	Relating to assets
Patent grant from Guangzhou Intellectual Property Office	13,200.00		Government subsidy	Relating to revenue
Employment promotion reward from Zhujiang Street Community Comprehensive Management and Services Centre of Nansha District, Guangzhou	720.00		Government subsidy	Relating to revenue
Patent subsidy		90,340.00	Municipal government	Relating to revenue
Copyright registration assistance		21,470.00	Copyright registration assistance	Relating to revenue
Incentive subsidy for contribution to local economic development by headquarters for 2016-2017		1,400,000.00	National government subsidy	Relating to revenue
Little Giant invoicing increase incentive		30,000.00	Economy and Information Committee of Jiangdu District	Relating to revenue
Intellectual property right incentive		381,610.00	Intellectual property right incentive	Relating to revenue
Total	1,497,926.10	13,503,420.00	-	-

(3) Description of profit from disposal of properties

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

56. Non-operating expenses

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Total losses on disposal of non-current assets	494,343.25	536,575.45	494,343.25
Including: Loss on disposal of fixed assets	494,343.25	536,575.45	494,343.25
Penalty expense	100,193.82		100,193.82
External donations		20,867.00	
Others	56,770,562.93	420,470.64	56,770,562.93
Total	57,365,100.00	977,913.09	57,365,100.00

Note 1: Non-operating expenses – other mainly include the contract loss recognised by Huangpu Wenchong, a subsidiary of the Company, of RMB56,730,535.50 under the settlement agreement between Huangpu Wenchong and four single-ship companies under KC Maritime Limited (“KCM”) in relation to the contract dispute arbitration in respect of four 64,000-ton bulk carriers (with ship numbers of H3067, H3068, H3069 and H3070).

Note 2: The amount included in non-recurring gains and losses for the period was RMB57,365,100.00 (Corresponding period of last year: RMB977,913.09).

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57. Income tax expense

(1) Income tax expense

Item	Current period	Corresponding period of last year
Current income tax – PRC enterprise income tax	-5,941,046.06	8,991,198.93
1. China	1,309,880.47	8,991,198.93
2. Hong Kong		
3. Over-provision (Under-provision) in prior years	-7,250,926.53	
Deferred tax	-26,953,618.37	2,120,463.15
Others		
Total	-32,894,664.43	11,111,662.08

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

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

Item	Current period	Corresponding period of last year
Total consolidated profit for the period	-370,404,235.92	63,067,658.82
Income tax expenses calculated at statutory/ applicable tax rate	-92,601,058.98	15,766,914.71
Impact of different tax rates for subsidiaries	27,355,244.76	-1,708,332.65
Impact of adjustment for income tax for previous period	-7,653,583.87	
Impact of non-taxable income	1,222,888.68	-77,556.91
Impact of non-deductible costs, expenses and losses	583,359.51	582,844.92
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-630,402.83	-5,852,968.85
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	38,828,888.30	2,400,671.18
Under-provision for income tax for prior years		
Change in beginning balance of deferred tax assets/ liabilities as a result of change in tax rate		
Income tax expense	-32,894,664.43	11,111,662.08

58. Other comprehensive income

Please refer to Note VI. 36 "Other comprehensive income" for details.

59. Audit fees and auditor

The audit fees charged for 2018 are RMB2.42 million (2017: RMB2.42 million). The auditor engaged by the Company is ShineWing Certified Public Accountants LLP, and there has not been any change of auditor since 2011.

60. Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of investment properties	314,356.08	314,356.08
Depreciation of fixed assets	330,714,167.21	346,952,334.00
Amortisation of intangible assets	26,911,707.80	29,226,818.77
Amortisation of long-term prepaid expenses	1,420,072.52	4,625,478.94
Total	359,360,303.61	381,118,987.79

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

Gains on disposal of investments during the period included gain on disposal of equity instruments not held for trading of RMB188,161.90 (Corresponding period of last year: RMB0) and investment income on cancellation of Longxue Properties, a subsidiary of the Company, of RMB-37,413.98 (Corresponding period of last year: RMB0).

Gain (or loss) on disposal of properties during the period amounted to RMB0 (Corresponding period of last year: RMB0).

62. Operating rental expense

Operating rental expense for the period is RMB34,036,433.84 (Corresponding period of last year: RMB89,314,859.22), of which rental expense for machinery and equipment is RMB7,132,453.44 (Corresponding period of last year: RMB616,793.59).

63. Rental income

Operating rental income for the year is RMB24,920,064.97 (Corresponding period of last year: RMB42,927,534.78), of which rental income from land and buildings is RMB4,161,242.34 (Corresponding period of last year: RMB14,855,247.44).

64. Earnings per share

Basic earnings per share shall be calculated by profit or loss attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding 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 issued ordinary shares, the dilutive potential ordinary shares which were converted in previous periods are assumed to be converted at the beginning of current period and the dilutive potential ordinary shares which were converted during current period are assumed to be converted at the date of issue.

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

Item	No.	Current period	Corresponding period of last year
Net profit attributable to shareholders of the Company	1	-294,982,112.04	43,972,225.89
Non-recurring gains and losses attributable to the Company	2	189,111,488.19	62,527,020.28
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	-484,093,600.23	-18,554,794.39
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 the next month following the increase in shares to the end of the period (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the next month following the decrease in shares to the end of the period	9		
Number of shares decreased due to capital reduction	10		
Number of months in the Reporting Period	11	6.00	6.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,413,506,378.00
Weighted average number of ordinary shares outstanding following adjustments in relation to business combination under common control for the purposes of earnings per share after deduction of non-recurring gains and losses	13	1,413,506,378.00	1,413,506,378.00
Basic earnings per share (I)	14=1÷12	-0.2087	0.0311
Basic earnings per share (II)	15=3÷13	-0.3425	-0.0131
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)	-0.2087	0.0311
Diluted earnings per share (II)	21=[3+(16-18)×(1-17)]÷(13+19)	-0.3425	-0.0131

65. Dividends

Final dividends for the year ended 31 December 2017 totalling RMB0 (Corresponding period of last year: RMB22,616,102.05) were declared and paid during the six months ended 30 June 2018.

Pursuant to a resolution of the meeting of the board of directors of the Company held on 23 August 2018, the Company will not distribute the interim dividends for the six-month period ended 30 June 2018 (Corresponding period of last year: Nil).

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66. Supplementary information on consolidated income statement

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

Item	Current period	Corresponding period of last year
Raw materials consumed	5,597,560,759.06	6,719,944,665.53
Employee compensation expenses	1,600,343,631.71	1,833,474,385.24
Depreciation expenses	331,028,255.66	347,266,690.08
Amortisation expenses	28,331,780.32	33,852,297.71
Product fee	751,402,535.19	748,618,462.87
Utilities fee	114,881,569.63	147,231,450.04
Others	287,434,541.42	345,138,394.36
Total	8,710,983,072.99	10,175,526,345.83

67. 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 period	Corresponding period of last year
Income from other current accounts received	163,818,037.57	124,062,623.46
Government grants	66,272,167.00	59,708,520.00
Other non-operating income	1,658,914.82	18,474,210.01
Interest income	47,364,080.30	51,980,221.38
Receipt/recovery of deposit	18,660,515.63	
Total	297,773,715.32	254,225,574.85

2) Other cash payments relating to operating activities

Item	Current period	Corresponding period of last year
Administrative expense	63,997,460.13	82,386,884.76
Selling expense	5,174,897.25	6,726,627.11
Non-operating expenses	100,193.82	63,042.27
Warranty expense	40,110,365.06	58,172,990.26
Payment of other current accounts	416,213,841.13	289,725,176.33
Bank charges	2,315,962.06	5,804,282.08
Security deposit	112,971,315.43	38,647,698.73
Total	640,884,034.88	481,526,701.54

3) Other cash receipts relating to investing activities

Item	Current period	Corresponding period of last year
Lifting of restrictions on fixed deposits	407,832,139.92	769,125,843.81
Interest income from fixed deposits and other interest income	62,457,109.06	78,465,221.93
Gain on entrusted wealth management products	24,671,767.95	
Lifting of restrictions on deposit for letter of credit	20,909,440.00	
Total	515,870,456.93	847,591,065.74

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4) *Other cash payments relating to investing activities*

Item	Current period	Corresponding period of last year
Restricted fixed deposits	1,988,849,420.00	151,436,847.56
Deposit for forward exchange settlement	76,629,815.06	
Entrusted wealth management products	70,000,000.00	
Fixed assets relocation expenses	56,632,388.05	
Long-term prepaid expenses	391,650.50	
Decrease in cash from disposal of subsidiaries	60,448.29	
Disposal of equity interest in Xingji		2,953,399.87
Total	2,192,563,721.90	154,390,247.43

5) *Other cash receipts relating to financing activities*

Item	Current period	Corresponding period of last year
State grant	77,500,000.00	105,240,000.00
Total	77,500,000.00	105,240,000.00

6) *Other cash payments relating to financing activities*

Item	Current period	Corresponding period of last year
Issuance fees and relevant cost		75,000.00
Total		75,000.00

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(2) Supplementary information on consolidated cash flow statement

Item	Current period	Corresponding period of last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	-337,509,571.49	51,955,996.74
Add: Provision for impairment of assets	91,135,251.74	14,851,375.79
Depreciation of fixed assets	331,028,523.29	347,266,690.08
Amortisation of intangible assets	26,911,707.80	29,226,818.77
Amortisation of long-term prepaid expenses	1,420,072.52	4,625,478.94
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")	235,281.75	-965,354.06
Loss on retirement of fixed assets (Gain expressed with "-")	218,545.46	220.98
Loss on changes in fair value (Gain expressed with "-")	221,420,289.98	655,224.92
Finance cost (Gain expressed with "-")	69,021,731.68	98,089,217.75
Loss on investments (Gain expressed with "-")	-20,623,991.05	-26,917,017.63
Decrease in deferred tax assets (Increase expressed with "-")	-27,620,761.98	2,120,463.15
Increase in deferred tax liabilities (Decrease expressed with "-")	695,367.90	
Decrease in inventories (Increase expressed with "-")	-1,546,548,288.29	-910,113,086.53
Decrease in operating receivables (Increase expressed with "-")	-1,335,098,491.09	-428,539,500.38
Increase in operating payables (Decrease expressed with "-")	1,508,382.45	-2,954,525,069.03
Others		
Net cash flows from operating activities	-2,523,805,949.33	-3,772,268,540.51
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. Changes in cash and cash equivalents:		
Ending balance of cash	7,366,374,645.19	6,581,319,317.54
Less: Cash balance at the beginning of the year	11,430,546,720.41	9,885,435,368.48
Add: Ending balance of cash equivalents		
Less: Balance of cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	-4,064,172,075.22	-3,304,116,050.94

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

Item	Current period
Cash or cash equivalents received from disposal of subsidiaries during the period	120,834.04
Including: Guangzhou Longxue Properties Co., Ltd.	120,834.04
Less: Cash and cash equivalents held by subsidiaries at the date of disposal	181,282.33
Including: Guangzhou Longxue Properties Co., Ltd.	181,282.33
Net cash receipts from disposal of subsidiaries	-60,448.29

(4) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	7,366,374,645.19	11,430,546,720.41
Including: Cash on hand	234,624.20	233,753.83
Bank deposits available for use on demand	7,366,083,535.99	11,430,232,121.58
Other cash at bank and on hand for use on demand	56,485.00	80,845.00
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents at the end of the period	7,366,374,645.19	11,430,546,720.41
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use		

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68. Assets subject to restrictions in ownership or use right

Item	Ending carrying value	Reasons for restrictions
Cash at bank and on hand	2,206,489,292.58	Borrowing pledge, fixed deposits with maturity of over 3 months, letters of guarantee/bills/construction in progress/forward exchange settlement deposit

69. Foreign currency monetary items

Item	Ending balance of foreign currency	Translation rate	Ending balance of RMB equivalent
Cash at bank and on hand			2,324,277,500.18
Including: US\$	313,090,788.14	6.6166	2,071,596,587.00
EUR	18,592,742.60	7.6515	142,262,369.99
JPY	125,328.97	0.0599	7,508.96
HKD	130,948,985.46	0.8431	110,403,089.66
Norwegian Krone	6.49	0.8089	5.25
GBP	917.30	8.6551	7,939.32
Accounts receivable			573,028,855.24
Including: US\$	84,967,313.93	6.6166	562,194,729.35
HKD	9,658,438.42	0.8431	8,142,572.95
MOP	3,277,585.17	0.8212	2,691,552.94
Interest receivable			3,896,794.51
Including: US\$	519,492.60	6.6166	3,437,274.73
EUR	1,802.74	7.6515	13,793.67
HKD	528,675.25	0.8431	445,726.11
Other receivables			4,056,516.00
Including: US\$	151,500.50	6.6166	1,002,418.21
HKD	3,622,462.12	0.8431	3,054,097.79
Long-term receivables due with one year			57,736,906.09
Including: US\$	8,726,068.69	6.6166	57,736,906.09
Long-term receivables			436,877,986.06
Including: US\$	66,027,564.92	6.6166	436,877,986.06
Accounts payable			607,580,506.45
Including: US\$	78,554,987.97	6.6166	519,766,933.41
EUR	10,910,722.29	7.6515	83,483,391.57
HKD	289,639.79	0.8431	244,195.31
GBP	472,090.00	8.6551	4,085,986.16
Other payables			750,947.23
Including: US\$	42,991.42	6.6166	284,457.03
HKD	553,303.53	0.8431	466,490.20
Interest payable			7,447,422.08
Including: US\$	925,100.52	6.6166	6,121,020.10
EUR	173,351.89	7.6515	1,326,401.98
Short-term borrowings			1,442,805,756.37
Including: US\$	207,500,000.00	6.6166	1,372,944,500.00
EUR	9,130,400.10	7.6515	69,861,256.37

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70. Government grants

(1) Basic information on government grants

Type	Amount	Item presented	Amount included in profit or loss
Research of comprehensive building process and technology	1,984,606.95	Deferred income	
	1,015,393.05	Administrative expenses	1,015,393.05
Research of common key processes and technologies for smart manufacturing of ships	10,100,000.00	Deferred income	-
Development and application of MW marine waterjet propulsion system	700,000.00	Deferred income	-
Preparation and implementation of "three rules" of enterprises	90,000.00	Deferred income	-
Research of technologies for management and control of smart ship block workshops	1,714,965.63	Deferred income	
	485,034.37	Administrative expenses	485,034.37
Research of technologies for smart service production scheduling for complex shipbuilding environment	400,000.00	Deferred income	-
Development of ships design and construction technical standards	400,000.00	Deferred income	-
Development of standard shipbuilding processes	100,000.00	Deferred income	-
Coordinated innovative research and application of composite wear resistant components for high-end equipment	1,400,000.00	Deferred income	
	2,600,000.00	Administrative expenses	2,600,000.00
Research of key technologies for heavy polar icebreakers	1,006,931.87	Deferred income	
	153,068.13	Administrative expenses	153,068.13
Research of key common technology for smart ship manufacturing	718,728.14	Deferred income	
	81,271.86	Administrative expenses	81,271.86
Research of energy-saving and environment-friendly manufacturing system and key processes	1,072,940.02	Deferred income	
	127,059.98	Administrative expenses	127,059.98
Research of smart management technologies for digital production and logistics of shipyards based on the Internet of Things	1,300,000.00	Deferred income	-
Research and development of key technologies for navigation dynamic positioning	540,000.00	Deferred income	
	660,000.00	Administrative expenses	660,000.00
Interest subsidy	20,210,000.00	Finance cost	20,210,000.00
Development of dual-fuel high-speed luxury Ro/Ro ships	2,530,000.00	Administrative expenses	2,530,000.00
Award for pillar high-quality enterprise in Nansha District	900,000.00	Other income	900,000.00
Demonstration application of very large intelligent ore carriers	500,000.00	Administrative expenses	500,000.00
Immediately refunded value-added tax	345,136.61	Other income	345,136.61
Other items relating to revenue	1,958,620.95		1,016,882.79
Total	53,093,757.56		30,623,846.79

(2) Return of government grants

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

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VII. CHANGES IN SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

None.

2. Change in scope of consolidation for any other reasons

(1) Liquidation of Guangzhou Longxue Properties Co., Ltd., a subsidiary of the Company

In accordance with a document of CSSC (Chuan gong Jing [2017] No. 359), the Company conducted liquidation of Longxue Properties, a subsidiary of the Company, in view of its ownership structure. On 15 March 2018, the establishment of a liquidation committee was approved by a resolution passed at a general meeting of Longxue Properties. On 20 March 2018, Longxue Properties filed with the business registration authority and obtained the Filing Notice ((Sui) Deng Ji Nei Bei Zi 2018 No. 10201803200084). On 30 May 2018, the liquidation of Longxue Properties 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 during the Reporting Period.

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of subsidiary	Place of registration and principal operation	Business nature	Registered capital (in RMB ten thousand)	Percentage of shareholding (%)		Acquisition method
				Direct	Indirect	
Subsidiaries indirectly held through two-level structures						
GSI	Guangzhou	Shipbuilding	855,697.08	76.42		Business combination under common control
Huangpu Wenchong	Guangzhou	Shipbuilding	285,989.77	69.02		Business combination under common control
Subsidiaries indirectly held through three-level structures						
Longxue Pipe ^{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
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

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Name of subsidiary	Place of registration and principal operation	Business nature	Registered capital (RMB in ten thousand)	Percentage of shareholding (%)		Acquisition method
				Direct	Indirect	
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

Name of subsidiary	Place of registration and principal operation	Business nature	Registered capital (RMB in ten thousand)	Percentage of shareholding (%)		Acquisition method
				Direct	Indirect	
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

Note 1: Two of the five directors of Longxue Pipe 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 the Company. GSI has substantial control over such company, and it is therefore included into the scope of consolidation.

Note 2: Xingji has three shareholders and 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 interests	Profits and loss attributable to minority interests for the period	Dividends declared to minority interests for the period	Ending balance of minority interests
Fonkwang Development Limited	21.00%	-150,832.80	4,736,000.00	11,698,171.97

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

Name of subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Fonkwang Development Limited	12,079.49	13.16	12,092.65	6,216.56		6,216.56	13,368.23	5.77	13,374.00	5,058.09		5,058.09

(Continued)

Name of subsidiary	Current period				Corresponding period of last year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Fonkwang Development Limited	1,348.34	-71.83	-71.83	630.97	8,309.69	2,162.95	2,162.95	-3,374.97

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

None.

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

None.

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

(1) **Change in the proportion of ownership interest in subsidiaries**

The first extraordinary general meeting of 2018 of the Company was held on 12 February 2018, at which the Resolution on the Capital Increase of Guangzhou Shipyard International Company Limited and the Resolution on the Capital Increase of CSSC Huangpu Wenchong Shipbuilding Company Limited were passed, pursuant to which new shareholders including New China Life Insurance Company Ltd. were introduced for market-based debt-to-capital conversion and capital increase in cash in the total amount of RMB4.8 billion, of which the capital of GSI, a subsidiary of the Company, increased by RMB2.4 billion, representing 23.58% equity interest in GSI, and the capital of Huangpu Wenchong, a subsidiary of the Company, increased by RMB2.4 billion, representing 30.98% equity interest in Huangpu Wenchong. As at the end of February 2018, new investors had made their capital contribution, and the business change registration of these companies was completed. As a result of the capital increase, the Company's equity interest in GSI and Huangpu Wenchong, both subsidiaries of the Company, was diluted by 23.58% and 30.98%, respectively, but the Company still maintained control over both subsidiaries.

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

Item	Total	GSI	Huangpu Wenchong
Cash	4,800,000,000.00	2,400,000,000.00	2,400,000,000.00
Total consideration for disposal	4,800,000,000.00	2,400,000,000.00	2,400,000,000.00
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	3,616,485,009.62	1,812,096,541.21	1,804,388,468.41
Difference	1,183,514,990.38	587,903,458.79	595,611,531.59
Including: Adjustment to capital reserves	1,183,514,990.38	587,903,458.79	595,611,531.59

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

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(2) Key financial information of significant associates

Item	GSI Yangzhou	
	Ending balance/ Current period	Beginning balance/ Corresponding period of last year
Current assets:		
Including: Cash and cash equivalents	417,112,898.48	285,549,047.64
Non-current assets	194,536,950.69	272,130,556.08
Total assets	1,012,858,736.22	1,034,516,277.75
Total assets	1,429,971,634.70	1,320,065,325.39
Current liabilities:		
Non-current liabilities	121,606,264.85	11,946,210.98
Total liabilities	121,606,264.85	11,946,210.98
Minority interests		
Equity attributable to shareholders of the Company	1,308,365,369.85	1,308,119,114.41
Share of net assets based on shareholding percentage	641,099,031.23	640,978,366.06
Adjustments		
– Goodwill		
– Unrealized profit from intra-group transactions		
– Others		521,273.01
Carrying amount of equity investments in associates	641,099,031.23	641,499,639.07
Fair value of investments in associates with public quoted prices		
Operating income	161,270,095.12	35,174,844.11
Finance cost	-836,596.95	-3,599,316.31
Income tax expense	81,085.15	583,614.86
Net profit	246,255.44	1,744,522.27
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	246,255.44	1,744,522.27
Dividend received from associates for the period		

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

Item	Ending balance/ Current period	Beginning balance/ Corresponding period of last year
Joint ventures:		
Total carrying amount of investments	55,447,365.27	
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-9,719,100.33	
– Other comprehensive income		
– Total comprehensive income	-9,719,100.33	
Associates:		
Total carrying amount of investments	23,175,277.36	68,173,471.59
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-14,668,642.72	310,227.63
– Other comprehensive income	-7,277,248.98	
– Total comprehensive income	-21,945,891.70	310,227.63

(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, payables, investment in instruments not held for trading and forward exchange contracts. For details for each financial instrument, please see Note VI. The risks related to these financial instruments, and the Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure by the management of the Group is to ensure that these risks mentioned above are controlled within a reasonable range.

1. Various risk management objectives and policies

The risk management objectives of this Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

(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 the end of the period, 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	Ending balance	Beginning balance
Cash and cash equivalents – USD	313,090,788.14	510,826,891.28
Cash and cash equivalents – HKD	130,948,985.46	141,924,560.00
Cash and cash equivalents – EUR	18,592,742.60	11,113,292.90
Cash and cash equivalents – JPY	125,328.97	125,725.04
Cash and cash equivalents – GBP	917.30	917.30
Cash and cash equivalents – Norwegian Krone	6.49	6.48
Accounts receivable – USD	84,967,313.93	24,473,674.52
Accounts receivable – HKD	9,658,438.42	32,607,841.90
Accounts receivable – MOP	3,277,585.17	3,277,585.17
Accounts receivable – EUR		627,325.43
Other receivables – USD	151,500.50	151,500.50
Other receivables – HKD	3,622,462.12	2,815,836.12
Other receivables – EUR		1,500.00
Interest receivable – USD	519,492.60	523,948.24
Interest receivable – EUR	1,802.74	
Interest receivable – HKD	528,675.25	327,175.80
Long-term receivables – USD	66,027,564.92	
Long-term receivables due with one year – USD	8,726,068.69	
Accounts payable – USD	78,554,987.97	1,870,054.51
Accounts payable – EUR	10,910,722.29	
Accounts payable – HKD	289,639.79	10,432,955.51
Accounts payable – GBP	472,090.00	
Interest payable – USD	925,100.52	
Interest payable – EUR	173,351.89	
Other payables – USD	42,991.42	42,991.42
Other payables – HKD	553,303.53	222,962.83
Short-term borrowings – USD	207,500,000.00	2,500,000.00
Short-term borrowings – EUR	9,130,400.10	

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 view of the trend of exchange rate changes or enters into forward exchange trading contracts (forward exchange settlement), exchange swaps, exchange option trading portfolio contracts with banks 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. 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 the end of the period, the Group's bank borrowings mainly included fixed interest rate contracts in RMB and USD with total amount of RMB4,508,000,000.00 (at the beginning of the year: RMB10,610,766,225.00) and floating interest rate contracts in RMB and USD with total amount of RMB5,907,562,756.37 (at the beginning of the year: RMB4,689,905,750.00).

The risk of changes in fair value of financial instrument of the Group caused by changes in interest rate is mainly related to bank borrowings with fixed interest rate. As for the borrowings with fixed interest rate, the goal of the Group is to keep these borrowings with floating interest rate.

The risk of changes in cash flows of financial instrument of the Group caused by changes in interest rate is mainly related to bank borrowings with floating interest rate. It is the policy of the Group to keep these borrowings with floating interest rate, in order to eliminate the risk in fair value related to changes in interest rate.

3) *Price risk*

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

(2) **Credit risk**

As at the end of the period, the Group's potential maximum exposure to credit risk is mainly because of the counterparties' failure to perform their obligations leading to losses on financial assets and the financial burden assumed by the Group, including:

Book value of the recognised financial assets in the consolidated balance sheet; 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 significant concentration of credit risk except for the top five accounts receivable and long-term receivables.

Top five accounts receivable amounted to RMB793,272,189.3 (at the beginning of the year: RMB591,049,273.52) in total; long-term receivables amounted to RMB1,690,478,591.77 (at the beginning of the year: RMB582,380,488.37) in total.

(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 the end of the period, the unutilised bank facilities of the Group were RMB36,882 million (at the beginning of the year: RMB40,122 million).

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

Ending balance:

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets	12,045,198,209.74	578,231,696.00	757,311,661.39	540,687,207.48	13,921,428,774.61
Cash at bank and on hand	9,572,863,937.77				9,572,863,937.77
Financial assets held for trading	11,802,666.85				11,802,666.85
Notes and accounts receivable	1,856,072,488.83				1,856,072,488.83
Other receivables	242,769,673.07				242,769,673.07
Long-term receivables	61,689,443.22	508,231,696.00	757,311,661.39	498,556,170.63	1,825,788,971.24
Entrusted wealth management products	300,000,000.00	70,000,000.00			370,000,000.00
Investments in other equity instruments				42,131,036.85	42,131,036.85
Financial liabilities	15,654,449,611.95	2,352,838,487.03	473,104,149.81	1,969,701,851.00	20,450,094,099.79
Short-term borrowings	2,837,805,756.37				2,837,805,756.37
Financial liabilities held for trading	203,385,977.26	17,049,626.79	9,551,391.18		229,986,995.23
Notes and accounts payable	9,158,693,638.00				9,158,693,638.00
Other payables	204,177,505.44				204,177,505.44
Employee benefits payable	37,885,183.11				37,885,183.11
Taxes payable	55,612,691.53				55,612,691.53
Long-term payables	29,888,860.24	29,888,860.24	63,552,758.63	224,844,851.00	348,175,330.11
Long-term borrowings	3,127,000,000.00	2,305,900,000.00	400,000,000.00	1,744,857,000.00	7,577,757,000.00

2. Sensitivity analysis

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

(1) Exchange rate risk sensitivity analysis

The assumption of exchange rate sensitivity analysis: all overseas net operational investment hedge and cash flow hedge are highly effective.

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

Item	Exchange rate change	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
US\$	Strengthened by 5% against RMB	186,196,406.85	186,196,406.85	188,798,202.13	188,798,202.13
US\$	Weakened by 5% against RMB	-186,196,406.85	-186,196,406.85	-205,610,331.91	-205,610,331.91

(2) Interest rate risk sensitivity analysis

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

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

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

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

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

Item	Interest rate change	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-51,498,396.56	-51,498,396.56	-88,749,042.10	-88,749,042.10
Floating-rate borrowings	Decrease by 1%	51,498,396.56	51,498,396.56	88,749,042.10	88,749,042.10

X. DISCLOSURE OF FAIR VALUE

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

Item	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Fair value measurement on a recurring basis				
(i) Financial assets at fair value through profit and loss		11,802,666.85		11,802,666.85
1. Financial assets held for trading		11,802,666.85		11,802,666.85
(ii) Financial assets at fair value through other comprehensive income	6,955,828.74		35,175,208.11	42,131,036.85
1. Investment in equity instruments	6,955,828.74		35,175,208.11	42,131,036.85
Total assets measured at fair value on a recurring basis	6,955,828.74	11,802,666.85	35,175,208.11	53,933,703.70
(i) Financial liabilities at fair value through profit and loss		229,986,995.23		229,986,995.23
1. Financial liabilities held for trading		229,986,995.23		229,986,995.23
Total liabilities measured at fair value on a recurring basis		229,986,995.23		229,986,995.23

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

Of the investments in equity instruments not held for trading measured at fair value, the fair value of the shares of listed companies held by the Group was determined based on the closing price at 30 June 2018.

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

For forward exchange contracts measured at fair value out of financial assets held for trading and financial liabilities held for trading, for the sake of prudence, the Company chooses quotations from one bank as inputs and recognises their fair values based on the difference between the quoted exchange rate at the balance sheet date from the bank and the contract exchange rate, using the benchmark loan interest rate for the corresponding term published by the People's Bank of China as the discount rate.

4. Valuation techniques and qualitative and quantitative information for level 3 items continuing or not continuing to be measured at fair value

For the equity investments held by the Group in unlisted companies out of investments in equity instruments not held for trading measured at fair value, the Group determines their fair values using valuation techniques. The valuation model adopted is mainly the discounted cash flows model, and the inputs to valuation techniques mainly included expected yield, expected term and weighted average capital cost.

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XI. RELATED PARTIES 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 period	Decrease for the period	Ending balance
CSSC	RMB32 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 period	Percentage at the beginning of the year	
CSSC	501,745,100.00	501,745,100.00	35.50	35.50	Parties acting in concert
CSSC HK	345,940,890.00	345,940,890.00	24.47	24.47	
Total	847,685,990.00	847,685,990.00	59.97	59.97	

2. Subsidiaries

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

3. Other related parties

Relationship	Name of related party	Content of major transactions	Code of organisation
Other enterprises under common control of controlling shareholder and beneficial controller			
	Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labor services	190440532
	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and technical labor services	199124798
	CSSC Jiujiang Fire Fighting Equipment 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

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Relationship	Name of related party	Content of major transactions	Code of organisation
	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
	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
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	792801606
	China Ship Power Station Equipment Co., Ltd.	Product and equipment	756976070
	Guangzhou Wenchong Dockyard Co., Ltd.	Purchase of goods and services received	781228314
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Purchase of goods and services received	766907124
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Purchase of goods and services received	132943529
	China Shipbuilding Technology Institute	Purchase of goods and services received	400000472
	Jiangxi Chaoyang Machinery Factory	Purchase of goods and services received	158261489
	CSSC Heavy Equipment Co., Ltd.	Technical labor services	799437720
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Technical labor services	755729481
	Anqing Marine Electric Co., Ltd.	Purchase of materials	771102718
	Huahai Marine Cargo Access Equipment Company	Purchase of goods and services received	132203280
	China Shipbuilding IT 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 China Marine-Xiandai Generating Co., Ltd.	Purchase of goods and services received	782067313
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of goods and services received	765585565
	Shanghai 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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Relationship	Name of related party	Content of major transactions	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 CSSC Fire Automation Co., Ltd.	Purchase of goods and services received	091090522
	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and services received	705640569
	Jiangxi CSSC Navigation Instrument Co., Ltd.	Purchase of goods and services received	159500541
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	Purchase of goods and services received	660813517
	Jiangnan Shipbuilding (Group) Co., Ltd.	Sales of goods and provision of services	132204312
	Wah-Chang International Marine Industry Company Limited	Sales of goods and provision of services	XG7250000
	Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Sales of goods and provision of services	70326335X
	Haiying Enterprises Group Co., Ltd.	Purchase of goods and services received	134757367
	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and services received	082890640
	Technician Training School of Guangzhou Shipyard	Rendering of services	574022487
	Guangzhou Hairong Industrial Co., Ltd.	Purchase of goods and services received	190458329
	Workers' Hospital of Guangzhou Huangpu Shipyard	Rendering of services	738578028
	Kindergarten of Guangzhou Huangpu Shipyard	Rendering of services	738577981
	Guangzhou Huamao Center	Rendering of services	618407582
	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and services received	231250517
	Beijing Leiyin Electronic Technology Development Co., Ltd.	Purchase of goods and services received	633641027
	Beijing Ship Industry Management College	Purchase of goods and services received	40000123X

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

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 period	Corresponding period of last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Purchase of materials	1,071,395,821.55	1,519,460,575.67
CSSC Systems Engineering Research Institute	Purchase of materials	119,997,205.98	62,387,435.90
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	95,223,589.74	116,615,539.29
CSSC Marine Power Co. Ltd.	Marine accessories	81,925,805.13	20,728,632.48
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of materials	81,239,316.24	83,160,273.50
China United Shipbuilding Company Limited	Marine accessories	68,252,025.18	102,498,719.60
China Shipbuilding NDRI Engineering Co., Ltd.	Technical labor services	60,714,770.32	66,792,669.62
Shanghai Haikun Electrical Engineering Co., Ltd.	Purchase of materials	36,854,774.36	6,695,500.00
Marinequip China Company Limited	Equipment	17,695,528.51	4,623,262.41
Haiying Enterprises Group Co., Ltd.	Purchase of materials	17,120,000.00	10,621,282.05
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labor services	15,997,539.80	21,295,196.10
Shanghai CSSC Lingang Ship Equipment Co., Ltd.	Marine accessories	13,719,725.00	260,769.24
CSSC Nanjing Luzhou Machine Co., Ltd.	Marine accessories	13,179,536.77	34,285,438.46
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of materials	12,805,873.92	2,234,666.67
China Shipbuilding Trading Co., Ltd.	Purchase of materials	11,670,915.57	8,994,527.20

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Related party	Content of transaction	Current period	Corresponding period of last year
Guangzhou Shipyard HR Service Co., Ltd.	Services received	10,526,960.14	9,472,031.56
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	9,852,269.51	13,577,948.72
Zhenjiang China Marine-Xiandai Generating Co., Ltd.	Marine accessories	8,035,213.67	3,514,700.85
CSSC Science & Technology Co., Ltd.	Equipment and fixed assets	7,247,863.25	7,881,434.17
Guangzhou Wenchong Dockyard Co., Ltd.	Marine accessories	6,824,596.64	2,544,003.32
Shanghai Merchant Vessel Design and Research Institute	Labor and technical services	6,641,250.00	9,114,427.18
CSSC Marine Technology Co., Ltd.	Marine accessories	5,963,374.36	2,512,000.00
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	5,829,474.90	5,117,934.02
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Equipment	5,673,259.83	3,596,605.13
China Shipbuilding IT Co., Ltd.	Labor and technical services	5,384,395.84	1,221,458.98
China Shipbuilding Trading Guangzhou Co., Ltd.	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	4,068,307.98	
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	3,830,607.21	33,347,794.89
Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	3,746,854.70	
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	3,035,935.95	10,806,139.69
CSSC Xijiang Shipbuilding Co., Ltd.	Construction	2,640,170.94	
Guangzhou Ship Industrial Company	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	2,544,591.82	
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Labour services and goods	1,992,350.43	542,205.13
Beijing Leiyin Electronic Technology Development Co., Ltd.	Labor and technical services	1,786,800.00	
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Fixed assets	1,658,225.56	2,107,983.64
Jiangxi Chaoyang Machinery Factory	Marine accessories	1,501,744.68	1,166,738.90
Marine Design and Research Institute of China	Labor and technical services	1,444,339.59	8,047,928.27
Guangzhou Shipyard Hospital	Labour services	1,365,951.89	838,889.86
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Marine accessories	1,069,191.46	1,651,538.46
China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of materials	1,017,094.02	
China Ship Power Station Equipment Co., Ltd.	Marine accessories	876,000.00	5,311,538.46
CSSC (Hong Kong) Shipping Company Limited	Purchase of materials	606,165.63	3,113,712.26
Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of materials	531,374.36	276,452.99
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	516,725.64	835,558.98
TTS Hua Hai International Trading Co., Ltd.	Marine accessories	475,675.20	
Workers' Hospital of Guangzhou Huangpu Shipyard	Labor and technical services	465,954.50	1,100,000.00
Technician Training School of Guangzhou Huangpu Shipyard	Training fee paid	455,000.00	1,051,509.46
China Shipbuilding International Trading Co., Ltd.	Purchase of materials	423,846.15	597,560.89
Kindergarten of Guangzhou Huangpu Shipyard	Kindergarten admission fee paid for children of employees	420,000.00	1,000,000.00
CSSC Electronic Technology Co., Ltd.	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	410,000.00	
China Shipbuilding Technology Institute	Labor and technical services	122,641.51	358,490.57
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Construction	113,772.83	-
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	51,111.11	310,854.70

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Related party	Content of transaction	Current period	Corresponding period of last year
TTS Ships Equipment Co., Ltd.	Electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	45,063.25	
Jiujiang CSSC Fire Automation Co., Ltd.	Labor and technical services	43,517.09	228,994.03
CSSC Heavy Equipment Co., Ltd.	Labor and technical services	37,506.78	
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Materials (Large Machinery)	29,036.39	
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Labour services, goods and marine accessories	25,184.62	846,883.25
TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	13,504.27	2,213,485.81
CSSC Guijiang Shipbuilding Co., Ltd.	Labour services (Longxue Pipe)	11,244.87	
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Process design	7,090.91	318,301.89
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Technical labor services		3,589,021.15
Shanghai Shenbo Information System Engineering Co., Ltd.	Equipment fees for investment projects and research and development platform projects		1,142,769.29
Jiujiang Zhongchuan Instrument Co., Ltd.	Materials purchased		427,500.00
Anqing Marine Electric Co., Ltd.	Marine accessories		72,649.57
Total		1,827,153,667.55	2,200,511,534.26

Note: Pricing principles:

- (a) Purchase prices of electronic appliance, metallic materials and marine complement are based on market price.
- (b) Purchase prices of marine equipment, if there are two or more related parties competed as supplier, after consideration of factors such as inventory cycle, quality of products and services of suppliers, are negotiated with basis on market price. If there is only one related party as supplier due to technical specifications or restrictions, the price should be arm's length as that provided by a third independent party.
- (c) Purchase prices of labour services for shipbuilding and maintenance during the peak production period are based on the cost plus management fee of 10%.
- (d) Purchase prices of cabin-cleaning, ship design and relevant technical services are based on market price.
- (e) Purchase prices of medical care, food and beverage, infant care, training for labour, management fee for residence, etc., are based on the expense incurred in 2008 and adjusted by the annual "price index" (Guangzhou Municipal Statistics Bureau's announcement of the statistic of the general price index of the living expense of Guangzhou Municipal of the previous year) and further adjusted by the number of employees of the Group, number of household and actual staff welfare, but subject to maximum of adjustment on the annual "price index".

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

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

Related party	Content of transaction	Current period	Corresponding period of last year
CSSC (Hong Kong) Shipping Company Limited	Shipbuilding	295,382,613.20	443,539,173.20
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	32,643,433.85	37,819,527.75
Guangzhou Wenchong Dockyard Co., Ltd.	Technical labor services	14,580,348.60	19,191,555.69
CSSC Science & Technology Co., Ltd.	Sales and repair	6,713,793.10	3,357,450.41
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Technical labor services	2,498,717.65	1,682,905.99
Guangzhou Shipyard Co., Ltd.	Technical labor services	1,557,354.52	1,120,237.29
CSSC Heavy Equipment Co., Ltd.	Technical labor services	610,275.59	438,820.00
China Shipbuilding Trading Shanghai Co., Ltd.	Progress payment for ship products	534,468.86	-
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Materials	508,628.81	19,235.64
Shanghai Merchant Vessel Design and Research Institute	Sales and technical labor services	500,000.00	700,000.00
Guangzhou Ship Industrial Company	Electromechanical products (GSI Elevator)	356,065.46	-
CSSC Systems Engineering Research Institute	Labour services	339,622.64	-
Technician Training School of Guangzhou Huangpu Shipyard	Kinetic energy	336,900.03	116,435.05
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Technical labor services	323,143.54	847,241.42
China Shipbuilding Technology Institute	Technical labor services	290,982.07	1,075,471.70
China Shipbuilding IT Co., Ltd.	Materials	232,075.47	150,943.39
MARIC	Supply of utilities	109,165.02	33,119.50
CSSC Southern China Ship Machinery Co., Ltd.	Supply of utilities	80,962.27	24,056.61
Workers' Hospital of Guangzhou Huangpu Shipyard	Sales of materials, etc.	68,223.04	107,321.66
Technician Training School of Guangzhou Shipyard	Sales of materials, etc.	48,260.91	39,241.20
Kindergarten of Guangzhou Huangpu Shipyard	Sales of materials, etc.	46,354.35	37,514.19
CSSC Xijiang Shipbuilding Co., Ltd.	Technical labor services	18,867.92	1,018.87
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Kinetic energy	17,423.60	989.37
Marine Design and Research Institute of China	Service fee	14,603.77	44,339.62
CSSC Guijiang Shipbuilding Co., Ltd.	Technical labor services	14,256.19	85,247.23
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Labour services (Hongfan Hotel)	7,853.77	-
Guangzhou Shipyard Hospital	Technical labor services	5,094.34	8,017.42
Jiangnan Shipbuilding (Group) Co., Ltd.	Labour services	1,415.09	-
Guangzhou GSI Nursing Home Co., Ltd.	Labour services (GSI Elevator)	256.41	-
China Shipbuilding Trading Co., Ltd.	Shipbuilding	-	105,356,453.42
CSSC Chengxi Shipbuilding Co., Ltd. Yangzhou Branch	Electricity resale	-	6,234,330.13
Guangzhou Shipyard HR Service Co., Ltd.	Technical labor services	-	81,154.44
China Shipbuilding NDRI Engineering Co., Ltd.	Technical labor services	-	79,879.41
Total		357,841,160.07	622,191,680.60

2. Receipt of financial services

(1) *Deposits*

Name of related party	Balance of deposits		Interest income on deposits	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	2,832,203,250.58	5,869,946,182.09	19,167,800.20	30,307,184.02

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

(2) Loans

Name of related party	Balance of loans		Interest expenses on loans	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	2,239,900,000.00	4,712,400,000.00	72,114,441.04	86,235,986.94

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 Limited	Borrowing	500,000,000.00	2012-7-18	2019-7-15	5.00%	Guangzhou Shipyard
China State Shipbuilding Corporation Limited	Borrowing	600,000,000.00	2012-7-18	2019-7-15	5.00%	Guangzhou Shipyard
China State Shipbuilding Corporation Limited	Borrowing	400,000,000.00	2016-10-24	2021-10-14	3.25%	Guangzhou Shipyard
China State Shipbuilding Corporation Limited	Borrowing	500,000,000.00	2012-7-18	2019-7-15	5.00%	Huangpu Shipyard
Total		2,000,000,000.00				

(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 period (RMB)	Corresponding period of last year (RMB)	Current period (RMB)	Corresponding period of last year (RMB)
CSSC Finance Company Limited	US\$283.6 million	US\$43.6 million	-15,817,041.52	91,781.68		

(4) Entrusted wealth management products

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	370,000,000.00	1,001,000,000.00	25,683,820.27	26,507,232.89

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

3. Related leases

(1) As lessor

Name of lessor	Name of lessee	Type of leased assets	Rental income recognised for the period	Rental income recognised for the corresponding period of last year
GSI	Guangzhou Wenchong Dockyard Co., Ltd.	Land, buildings and equipment	6,886,110.52	6,780,712.36
GSI Yangzhou	CSSC Chengxi Shipbuilding Co., Ltd.	Land, buildings and equipment	0.00	28,940,513.98
Total			6,886,110.52	35,721,226.34

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. During the period, GSI recognised rental income from Wenchong Dockyard of RMB6,886,110.52 (corresponding period of last year: RMB6,780,712.36).

(2) As lessee

Name of lessor	Name of lessee	Type of leased assets	Rental fees recognised for the period	Rental fees recognised for the corresponding period of last year
Guangzhou Ship Industrial Company	Wenchong Shipyard	Land, buildings and structures	9,782,700.14	9,982,728.12
Guangzhou Ship Industrial Company	Huangpu Wenchong	Land, buildings and structures	3,261,509.50	3,385,205.70
Guangzhou Shipyard Co., Ltd.	GSI	Buildings and structures	502,546.89	0.00
Guangzhou Shipyard Co., Ltd.	United Steel	Land, buildings and structures	354,857.14	0.00
Guangzhou Shipyard Co., Ltd.	GSI Elevator	Land, buildings and structures	74,745.71	67,847.60
Guangzhou Shipyard Shipping Co., Ltd.	GSI	Land, buildings and structures		67,200,000.00
Guangzhou Shipyard Co., Ltd.	Guangli	Buildings, structures and machinery equipment		687,782.71
Total			13,976,359.38	81,323,564.13

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.

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From 1 January 2018 to 30 June 2018

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

4. Related Guarantee

(3) Guarantees provided by related parties for the Group

As at the end of the period, there was no guarantee provided by any related party for the Group.

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

As at the end of the period, there was no guarantee provided by the Group for any related party.

(5) 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
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	12,475,006.37	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 for Wenchong Shipyard, of which EUR869,600 was repaid during the year and the balance was EUR1,630,400 as at the end of the period, equivalent to RMB12,475,000 based on the prevailing exchange rate.

5. Compensation for assets relocation of related parties

On 9 November 2015, GSI, a subsidiary of the Company, and Guangzhou Shipyard Shipping Co., Ltd. ("Guangzhou Shipyard Shipping") entered into the Agreement in relation to Compensation for Assets Relocation of GSI. During the period, GSI completed the relocation from Liwan Plant Area. As agreed by the parties, the buildings, structures and ancillary facilities as well as water, utilities and gas pipelines and facilities in the land parcel No. 2 area, as set out in the List of Assets to be Transferred in Land Parcel No. 2 were transferred to Guangzhou Shipyard Shipping. As a result, GSI recognised income from compensation for assets relocation of RMB1,134 million, which is payable within three years of the delivery of land in accordance with the Agreement in relation to Compensation for Assets Relocation of GSI.

6. Other related party transactions

Type of related party transactions	Name of related party	Current period	Corresponding period of last year
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	11,009,556.93	9,183,642.36
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited	7,206,811.64	433,724.90
Sales agency fees	China Shipbuilding Trading Co., Ltd.	4,645,977.66	7,142,516.07
Sales agency fees	China Shipbuilding Trading Shanghai Co., Ltd.		95,328.91
Guarantee letter agency fees	China Shipbuilding Trading Co., Ltd.	1,924,645.33	–
Procurement agency fees	China United Shipbuilding Company Limited	1,338,791.10	1,906,209.62
Procurement agency fees	China Shipbuilding Trading Co., Ltd.	79,365.50	121,114.36
Procurement agency fees	CSSC (Hong Kong) Shipping Company Limited	8,958.11	46,015.45
Handling charges for factoring	CSSC (Hong Kong) Shipping Company Limited		32,361.08
Total		26,214,106.27	18,960,912.75

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; the guarantee letter fees were determined with reference to the rates charged by the banks issuing guarantee letters.

7. Related party transactions and connected transactions

The related party transactions mentioned in 1 to 7 above constitute connected transaction or continuing connected transaction as defined under in Chapter 14A of the Listing Rules in Hong Kong, and are disclosed in details in the Connected Transaction section in the Director's Report as required.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

1. Purchase of goods and services received

Related party	Content of connected transactions	Corresponding	
		Current period	period of last year
Longxue Pipe	Processing services	970,351.84	
Hongfan Technology	Purchase of goods and services received	56,603.77	56,603.77
Zhongshan GSI	Purchase of goods and services received	5,461,538.46	15,968,503.42
GSI	Purchase of goods and services received	46,856.00	869,631.83
Hongfan Hotel	Purchase of goods and services received	43,608.57	54,667.69
Large-scale Machinery	Purchase of goods and services received	13,675.21	
Guangli	Services received		3,918,841.48
United Steel	Purchase of goods and services received		314,403.59
Total		6,592,633.85	21,182,651.78

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

2. Sale of goods and provision of services

Related party	Content of connected transactions	Corresponding	
		Current period	period of last year
GSI	Sale of goods	8,594,256.69	21,661,913.59
Zhongshan GSI	Sale of goods and leasing of assets	5,733,887.29	7,371,277.46
Total		14,328,143.98	29,033,191.05

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

(iv) Balances with related parties

1. Consolidated

(1) Receivables

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Notes receivable				
Guangzhou Wenchong Dockyard Co., Ltd.	165,800.00			
Sub-total of notes receivable	165,800.00			
Interest receivable				
CSSC Finance Company Limited	9,468,493.15		18,932,178.05	
Sub-total of interest receivable	9,468,493.15		18,932,178.05	
Accounts receivable				
Guangzhou Wenchong Dockyard Co., Ltd.	10,525,770.93	52,628.85	7,413,207.22	37,066.04
CSSC Science & Technology Co., Ltd.	7,869,200.00	39,346.00	81,200.00	406.00
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	3,723,721.44	18,618.61	9,377,536.32	46,887.68
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	1,437,847.90	7,189.24	1,157,660.00	5,788.30
Guangzhou Shipyard Co., Ltd.	1,328,793.37	6,643.97	969,058.77	4,845.29
Wah-Chang International Marine Industry Company Limited	1,191,815.07	5,959.08	1,176,972.77	5,884.86
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	958,026.98	4,790.13	595,078.06	2,975.39
China Shipbuilding Trading (Guangzhou) Co., Ltd.	793,436.00	3,967.18	303,179.08	1,515.90
CSSC Heavy Equipment Co., Ltd.	692,756.00	3,463.78	180,947.50	904.74
China Shipbuilding Technology Institute	605,400.00	3,027.00	514,000.00	2,570.00
Shanghai CSSC Lingang Ship Equipment Co., Ltd.	525,000.00	2,625.00	-	-
China Shipbuilding IT Co., Ltd.	126,000.00	630.00	2,890,000.00	14,450.00
Technician Training School of Guangzhou Huangpu Shipyard	90,000.00	450.00	90,000.00	450.00
MARIC	64,300.00	321.50	18,732.00	93.66
Guangzhou Ship Industrial Company	25,387.00	126.94	133,874.31	669.37
Kindergarten of Guangzhou Huangpu Shipyard	17,279.60	86.40	-	-
CSSC Systems Engineering Research Institute	15,000.00	75.00	15,000.00	75.00
China Shipbuilding NDRI Engineering Co., Ltd.	14,650.00	73.25	14,650.00	73.25
CSSC Guijiang Shipbuilding Co., Ltd.	13,156.50	65.78	-	-
Technician Training School of Guangzhou Shipyard	12,140.00	60.70	-	-
CSSC Chengxi Xinrong Shipbuilding Company Limited	4,900.00	24.50	4,900.00	24.50
China Shipbuilding Trading Co., Ltd.	2,460.00	12.30	-	-
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	1,170.00	5.85	1,545.00	7.73
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	469.00	2.35	18,450.00	92.25
CSSC (Hong Kong) Shipping Company Limited	-	-	32,017,580.00	160,087.90
Shanghai Haixun Electrical Engineering Co., Ltd.	-	-	750,000.00	3,750.00
China State Shipbuilding Corporation Limited	-	-	200,000.00	1,000.00
Workers' Hospital of Guangzhou Huangpu Shipyard	-	-	60,065.40	300.33
Guangzhou GSI Nursing Home Co., Ltd.	-	-	42,777.00	213.89
CSSC Southern China Ship Machinery Co., Ltd.	-	-	24,800.00	124.00
CSSC Xijiang Shipbuilding Co., Ltd.	-	-	5,560.00	27.80
Sub-total of accounts receivable	30,038,679.79	150,193.41	58,056,773.43	290,283.88

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From 1 January 2018 to 30 June 2018

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

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments				
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	662,025,590.82		448,706,437.43	
China Shipbuilding Trading Shanghai Co., Ltd.	246,334,548.39		246,377,251.89	
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	70,594,000.00		109,004,000.00	
China Shipbuilding Trading Co., Ltd.	40,125,089.51		36,099,984.27	
Eastern Shanghai Heavy Machinery Co., Ltd.	30,064,500.00		66,903,000.00	
CSSC Marine Power Co. Ltd.	29,690,000.00		9,250,000.00	
CSSC Systems Engineering Research Institute Marinequip China Company Limited	20,380,000.00		-	
CSSC Nanjing Luzhou Machine Co., Ltd.	9,172,385.42		29,671,914.54	
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	7,557,000.00		7,557,000.00	
TTS Hua Hai Ships Equipment Co., Ltd.	5,730,000.00		-	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	5,240,000.00		5,240,000.00	
Haiying Enterprises Group Co., Ltd.	2,485,496.00		600,000.00	
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	1,710,000.00		-	
CSSC Southern China Ship Machinery Co., Ltd.	1,680,000.00		936,871.80	
Guangzhou Ship Industrial Company	1,021,400.00		-	
Anqing CSSC Diesel Engine Co., Ltd.	948,100.00		-	
Jiujiang Zhongchuan Instrument Co., Ltd.	877,000.00		378,000.00	
China Shipbuilding NDRI Engineering Co., Ltd.	132,525.00		-	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	124,200.00		-	
China Shipbuilding Industry Complete Logistics Co., Ltd.	69,675.87		48,267.85	
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	54,386.25		54,386.25	
Jiangxi CSSC Navigation Instrument Co., Ltd.	44,400.00		-	
China United Shipbuilding Company Limited	16,860.00		15,860.00	
Wah-Chang International Marine Industry Company Limited	-		39,657,678.09	
CSSC Marine Technology Co., Ltd.	-		3,198,565.37	
CSSC (Hong Kong) Shipping Company Limited	-		1,099,400.01	
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	-		308,175.65	
	-		50,000.00	
Sub-total of prepayments	1,136,077,157.26		1,005,156,793.15	

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

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables				
Workers' Hospital of Guangzhou Huangpu Shipyard	589,328.06	2,946.64	-	-
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	408,274.21	2,041.37	-	-
CSSC (Hong Kong) Shipping Company Limited	301,415.10	1,507.08	206,416.98	1,032.08
China Bridge Shipping Co., Ltd.	203,841.78	1,019.21	-	-
Jiangxi Chaoyang Machinery Factory	194,900.40	974.50	795,000.00	3,975.00
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	188,746.75	943.73	188,746.75	943.73
Guangzhou Ship Industrial Company	148,982.80	744.91	195,950.00	979.75
China United Shipbuilding Company Limited	143,006.10	715.03	-	-
Beijing Ship Industry Management College	120,460.00	602.30	3,200.00	16.00
Guangzhou Wenchong Dockyard Co., Ltd.	120,000.00	600.00	120,000.00	600.00
CSSC Jiujiang Industrial Co., Ltd.	111,381.00	556.91	-	-
Ruilin Ocean Engineering Co., Ltd.	106,161.00	530.81	-	-
China Shipbuilding Industry Complete Logistics Co., Ltd.	92,389.26	461.95	-	-
Guangzhou Shipyard Co., Ltd.	84,698.36	423.49	75,220.65	376.10
CSSC Finance Company Limited	83,809.26	419.05	-	-
Guangzhou Nanfang Environment Co., Ltd.	75,300.00	376.50	-	-
China Shipbuilding Trading Co., Ltd.	74,934.51	374.67	74,934.51	374.67
CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	69,890.08	349.45	-	-
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	43,266.00	216.33	51,292.00	256.46
China State Shipbuilding Corporation Limited	41,145.72	205.73	2,085.30	10.43
Technician Training School of Guangzhou Huangpu Shipyard	3,640.00	18.20	-	-
Guangzhou Huamao Center	2,786.08	13.93	6,274.32	31.37
Guangzhou Xinzhou Service Co., Ltd.	2,121.10	10.61	-	-
Kindergarten of Guangzhou Huangpu Shipyard	576.84	2.88	-	-
CSSC Guijiang Shipbuilding Co., Ltd.	353.75	1.77	-	-
Technician Training School of Guangzhou Shipyard	114.00	0.57	-	-
China Shipbuilding Trading Guangzhou Co., Ltd.	36.00	0.18	-	-
Guangzhou Shipyard Hospital	-	-	309,000.00	1,545.00
Shanghai Shenbo Information System Engineering Co., Ltd.	-	-	20,000.00	100.00
Shanghai Shipbuilding Technology Research Institute	-	-	7,400.00	37.00
Marine Design and Research Institute of China	-	-	-	-
Sub-total of other receivables	3,211,558.16	16,057.80	2,055,520.51	10,277.60
Guangzhou Shipyard Shipping Co., Ltd.	1,060,379,063.75	5,670,000.00	-	-
Sub-total of long-term receivables	1,060,379,063.75	5,670,000.00		
Total	2,239,340,752.11	5,836,251.21	1,084,201,265.14	300,561.48

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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.	664,353,283.88	343,121,912.85
	CSSC Systems Engineering Research Institute	58,449,000.00	9,205,500.00
	CSSC Marine Power Co. Ltd.	52,354,200.00	40,307,600.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	26,614,500.00	103,263,000.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	21,146,100.00	12,559,000.00
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	18,400,000.00	110,784,000.00
	CSSC Southern China Ship Machinery Co., Ltd.	11,899,000.00	
	Anqing CSSC Diesel Engine Co., Ltd.	8,512,000.00	29,395,000.00
	CSSC Science & Technology Co., Ltd.	6,000,000.00	
	CSSC Nanjing Luzhou Machine Co., Ltd.	4,990,000.00	3,010,000.00
	CSSC Marine Technology Co., Ltd.	2,946,700.00	
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	1,595,050.00	
	CSSC Hua Hai Ships Equipment Co., Ltd.	1,406,000.00	
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	1,195,000.00	
	China Ship Power Station Equipment Co., Ltd.	850,250.00	
	Shanghai Hudong Shipyard Valve Co., Ltd.	621,708.00	
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.		9,059,700.00
	Marine Design and Research Institute of China		4,750,000.00
	China Shipbuilding Trading (Guangzhou) Co., Ltd.		3,523,525.52
	Jiujiang CSSC Fire Automation Co., Ltd.		757,500.00
	Sub-total of notes payable	881,332,791.88	669,736,738.37
Interest payable			
	CSSC Finance Company Limited	752,958.33	2,696,234.31
	Sub-total of interest payable	752,958.33	2,696,234.31
Accounts payable			
	CSSC Systems Engineering Research Institute	728,842,310.69	486,509,465.68
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	520,998,874.75	262,410,337.46
	China Shipbuilding NDRI Engineering Co., Ltd.	141,855,049.77	138,145,655.43
	Guangzhou Ship Industrial Company	84,797,788.69	73,335,324.41
	Eastern Shanghai Heavy Machinery Co., Ltd.	77,151,072.64	51,263,758.66
	Shanghai Haixun Electrical Engineering Co., Ltd.	57,264,962.03	33,667,275.36
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	38,240,000.00	
	CSSC Marine Power Co. Ltd.	35,906,092.91	75,701,705.00
	China Shipbuilding Trading Co., Ltd.	31,439,092.03	872,102.08
	Marine Design and Research Institute of China	22,179,013.68	5,066,000.00
	Haiying Enterprises Group Co., Ltd.	20,295,000.00	16,900,000.00
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,475,785.09	18,475,785.09
	CSSC Nanjing Luzhou Machine Co., Ltd.	13,015,477.90	15,004,900.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	12,672,201.72	10,649,183.97
	Anqing CSSC Diesel Engine Co., Ltd.	10,668,230.76	15,093,352.32
	CSSC Southern China Ship Machinery Co., Ltd.	10,601,204.00	15,404,462.40
	Zhenjiang Modern Power Generation Equipment Co., Ltd.	10,344,328.20	3,125,982.91
	CSSC (Hong Kong) Shipping Company Limited	10,026,874.11	9,666,851.39
	Guangzhou Shipyard Co., Ltd.	9,442,322.62	8,507,535.13
	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	9,345,899.78	4,799,793.80
	CSSC Science & Technology Co., Ltd.	8,645,393.79	8,480,000.00
	Marinequip China Company Limited	8,556,727.57	
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	8,155,057.71	4,380,841.76
	CSSC Marine Technology Co., Ltd.	5,314,299.99	2,299,700.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

Name of item	Related party	Ending balance	Beginning balance
	China Shipbuilding Trading Guangzhou Co., Ltd.	5,311,901.48	
	TTS Hua Hai Ships Equipment Co., Ltd.	4,558,409.82	4,596,293.58
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	4,251,422.50	2,894,972.50
	China Shipbuilding International Trading Co., Ltd.	3,283,285.56	3,185,625.00
	Shanghai Merchant Vessel Design and Research Institute	2,667,050.00	255,538.21
	Shanghai Hudong Shipyard Valve Co., Ltd.	2,354,104.17	3,385,837.75
	Guangzhou Wenchong Dockyard Co., Ltd.	2,248,614.87	1,244,893.83
	China Ship Power Station Equipment Co., Ltd.	2,013,600.00	3,780,350.00
	China Shipbuilding Industry Complete Logistics Co., Ltd.	1,897,832.26	
	Jiangxi Chaoyang Machinery Factory	1,449,009.73	2,662,277.80
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	1,410,000.00	445,830.70
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	1,293,125.00	1,322,000.00
	China Shipbuilding IT Co., Ltd.	1,040,205.80	3,451,595.50
	Guangzhou Shipyard HR Service Co., Ltd.	886,817.74	1,508,974.25
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	666,000.00	1,978,800.00
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	470,000.00	408,800.00
	Shanghai Shipbuilding Technology Research Institute	435,000.00	435,000.00
	CSSC Electronic Technology Co., Ltd.	422,564.10	390,000.00
	Jiujiang CSSC Fire Automation Co., Ltd.	350,177.03	2,439,234.10
	CSSC Hua Hai Ships Equipment Co., Ltd.	339,000.00	2,011,500.00
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	335,327.65	335,327.65
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	334,883.40	329,669.10
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	317,619.55	286,067.18
	China Shipbuilding Technology Institute	260,800.00	
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	258,663.00	528,463.00
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	247,826.46	6,101,403.14
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	210,411.53	
	Jiujiang Precision Testing Technology Research Institute	165,227.40	204,227.40
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	131,794.98	131,794.98
	Beijing Lei Yin Electronic Technology Development Co., Ltd.	120,000.00	1,816,800.00
	CSSC Finance Company Limited	83,000.00	83,000.00
	Shanghai CSSC Materials Engineering Co., Ltd.	40,000.00	40,000.00
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	23,069.00	
	Anqing Marine Electric Co., Ltd.	18,000.00	72,360.00
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	China State Shipbuilding Corporation Limited	9,141.20	9,141.20
	Jiangxi CSSC Navigation Instrument Co., Ltd.	1,000.00	
	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.		9,666,540.19
	Shanghai Zhen Nan Engineering Supervision Co., Ltd.		1,461,102.65
	Shanghai Shenbo Information System Engineering Co., Ltd.		475,000.00
	Haifeng Navigation Technology Co., Ltd.		300,000.00
	Shanghai Dongxin Software Engineering Co., Ltd.		125,000.00
	Workers' Hospital of Guangzhou Huangpu Shipyard		77,790.00
	Technician Training School of Guangzhou Huangpu Shipyard		50,751.00
	Guangzhou Bohang Environment Monitoring Services Co., Ltd.		13,000.00
	Sub-total of accounts payable	1,934,148,218.04	1,318,275,246.94

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

Name of item	Related party	Ending balance	Beginning balance
Advances from customers			
	CSSC Science & Technology Co., Ltd.	20,026,613.61	
	Marine Design and Research Institute of China	10,700,000.00	
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	2,327,493.86	
	Wah-Chang International Marine Industry Company Limited	1,243,840.14	1,243,840.14
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	300,000.00	300,000.00
	Guangzhou Shipyard Co., Ltd.	83,341.98	371,340.00
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	10,000.00	10,000.00
	CSSC Shanghai Ship Industrial Co., Ltd.		685,920.00
	Guangzhou Wenchong Dockyard Co., Ltd.		45,727,410.96
	Guangzhou Ship Industrial Company		239,270.18
	Sub-total of advances from customers	34,691,289.59	48,577,781.28
Other payables			
	China Shipbuilding NDRI Engineering Co., Ltd.	5,433,632.45	3,250,872.45
	Shanghai Merchant Vessel Design and Research Institute	1,250,000.00	800,000.00
	China State Shipbuilding Corporation Limited	790,000.00	
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	743,400.00	743,400.00
	China Shipbuilding IT Co., Ltd.	603,000.00	
	CSSC Financial Leasing (Shanghai) Co., Ltd.	592,202.69	592,202.69
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	566,581.03	20,000.00
	China United Shipbuilding Company Limited	473,319.81	473,319.81
	CSSC Systems Engineering Research Institute	438,000.00	438,000.00
	Guangzhou Shipyard HR Service Co., Ltd.	298,354.97	110,922.00
	Shanghai Shenbo Information System Engineering Co., Ltd.	285,160.00	285,160.00
	Guangzhou Shipyard Co., Ltd.	253,297.40	
	China Shipbuilding Trading Co., Ltd.	133,766.03	133,766.03
	Shanghai Shipbuilding Technology Research Institute	31,200.00	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	1,500.00	1,500.00
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	500.00	500
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	500.00	500.00
	CSSC Southern China Ship Machinery Co., Ltd.	500.00	500.00
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	100.00	100.00
	Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	100.00	
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.		1,000.00
	Workers' Hospital of Guangzhou Huangpu Shipyard		43.34
	Sub-total of other payables	11,895,114.38	6,851,786.32
	Total	2,862,820,372.22	2,046,137,787.22

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

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

(1) Receivables

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Notes receivable					
	Zhongshan GSI Marine Engineering Company Limited	632,250.00		-	
	Sub-total of notes receivable	632,250.00		-	
Accounts receivable					
	Guangzhou Shipyard International Company Limited	179,723,499.98		5,808,865.57	
	Guangzhou Wenchong Shipyard Co., Ltd.	150,000,000.00		-	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	50,000,000.00		-	
	Zhongshan GSI Marine Engineering Company Limited	8,805,450.28		6,491,342.78	
	Sub-total of accounts receivable	388,528,950.26		12,300,208.35	
Prepayments					
	Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	700,000.00		700,000.00	
	Sub-total of prepayments	700,000.00		700,000.00	
Other receivables					
	Guangzhou Shipyard International Company Limited	15,018,290.23		7,817,530.48	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	261,111.12		99,305.55	
	Guangzhou Wenchong Shipyard Co., Ltd.	166,666.67		183,333.33	
	Sub-total of other receivables	15,446,068.02		8,100,169.36	
Long-term receivables due with one year					
	Guangzhou Shipyard International Company Limited	124,000,000.00		500,000,000.00	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	35,000,000.00		100,000,000.00	
	Sub-total of long-term receivables due with one year	159,000,000.00		600,000,000.00	
Long-term receivables					
	Guangzhou Shipyard International Company Limited	150,000,000.00		-	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	150,000,000.00		-	
	Sub-total of long-term receivables	300,000,000.00		-	
	Total	864,307,268.28		621,100,377.71	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

(2) *Payables to related parties*

Name of item	Related party	Ending balance	Beginning balance
Accounts payable			
	Guangzhou United Steel Structures Limited	8,878,086.07	11,764,663.84
	Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	4,517,542.70	4,891,679.46
	Zhongshan GSI Marine Engineering Company Limited	2,311,253.48	6,704,453.48
	Guangzhou Shipyard International Company Limited	1,567,483.15	1,544,218.15
	Guangzhou Longxue Pipe Co., Ltd.	792,153.22	
	Sub-total of accounts payable	18,066,518.62	24,905,014.93
Advances from customers			
	Guangzhou Shipyard International Company Limited	32,356,569.48	
	Zhongshan GSI Marine Engineering Company Limited	1,679,275.86	
	Guangzhou United Steel Structures Limited	160,440.00	
	Sub-total of advances from customers	34,196,285.34	-
Other payables			
	Guangzhou Shipyard International Company Limited	31,415,725.72	26,830,089.92
	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	4,696,179.95	1,749,489.68
	Sub-total of other payables	36,111,905.67	28,579,579.60
	Total	88,374,709.63	53,484,594.53

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

(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 period				
Executive Director				
Han Guangde		274,177.80	15,298.92	289,476.72
Chen Zhongqian		280,363.62	30,610.92	310,974.54
Chen Liping		286,156.96	15,298.92	301,455.88
Xiang Huiming		276,667.62	30,610.92	307,278.54
Chen Ji		274,177.80	15,298.92	289,476.72
Supervisors				
Wu Guangjun				
Fu Xiaosi	45,000.00			45,000.00
Zhu Zhengfu	45,000.00			45,000.00
Chen Shaolong (From 1 January to 12 February)		41,218.20	3,824.73	45,042.93
Ding Qianfang (From 1 January to 12 February)		45,831.24	3,824.73	49,655.97
Mai Rongzhi (Since 12 February)		187,970.85	11,474.19	199,445.04
Zhang Shan (Since 12 February)		123,312.22	18,017.19	141,329.41
Non-executive Directors				
Yang Li				
Wang Guozhong (From 1 January to 12 February)				
Shi Jun (Since 12 February)				
Song Dejin (From 1 January to 12 February)	23,888.89			23,888.89
Zhu Mingyou (From 1 January to 12 February)				
Wang Yichu	100,000.00			100,000.00
Min Weiguo	100,000.00			100,000.00
Liu Renhuai (Since 12 February)	76,111.11			76,111.11
Yu Shiyong (Since 12 February)	76,111.11			76,111.11
Total	466,111.11	1,789,876.31	144,259.44	2,400,246.86
Corresponding period of last year				
Executive Director				
Han Guangde		271,451.58	14,917.50	286,369.08
Chen Zhongqian		276,494.76	30,271.50	306,766.26
Chen Liping		276,746.76	14,917.50	291,664.26
Xiang Huiming		260,858.76	30,271.50	291,130.26
Chen Ji		271,291.58	14,917.50	286,209.08
Supervisors				
Fu Xiaosi	45,000.00			45,000.00
Zhu Zhengfu	45,000.00			45,000.00
Chen Shaolong		169,227.08	14,917.50	184,144.58
Ding Qianfang		153,945.76	14,917.50	168,863.26
Non-executive Directors				
Yang Li				
Wang Guozhong				
Song Dejin	100,000.00			100,000.00
Zhu Mingyou				
Wang Yichu	100,000.00			100,000.00
Min Weiguo	100,000.00			100,000.00
Total	390,000.00	1,680,016.28	135,130.50	2,205,146.78

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

2. Five highest paid individuals

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

Band of remuneration:

Item	Number of individuals for the period	Number of individuals for the corresponding period of last year
Less than HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000		
HK\$1,500,001 to HK\$2,000,000		
HK\$2,000,001 to HK\$2,500,000		

3. During the track record period, no director 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 any of the Directors, supervisors or five highest-paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

4. Key management compensation

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

Item	Current period	Corresponding period of last year
Salaries, bonus and allowances	2,710,235.34	2,564,109.98
Retirement benefit plan contributions	174,857.28	164,962.50
Total	2,885,092.62	2,729,072.48

(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 period, 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 period, the Group had no amount due from Directors/affiliates of Directors for which the Company has provided guarantee.

XII. SHARE-BASED PAYMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

XIII. CONTINGENCIES

1. Contingent liabilities arising from pending litigations or arbitrations

- (1) On 31 December 2010, the Company and Guangli, a subsidiary of the Company, filed four lawsuits to the Immediate People's Court of Zhenjiang, Jiangsu Province ("Zhenjiang Intermediate Court"). The Company sued Jiangsu Shenghua Shipbuilding Company Limited ("Jiangsu Shenghua") for payment, had a dispute on a technical service contract and GUANGLI sued Jiangsu Shenghua for breaching of contract of 79,600 tons bulk freighter 1# and 2#, which required, A. (1) Jiangsu Shenghua shall Eliminate the obstruction, and return to all the production equipment, instruments, materials which belong to the Company and placing on its factory area to the Company immediately; (2) order Jiangsu Shenghua to assume all the liabilities in respect of the loss of above production equipment, instruments, materials; B. Jiangsu Shenghua shall pay the Company technical fees and interest of RMB2.4 million which Jiangsu Shenghua owns the Company, and assume penalty of RMB2.4 million; C. Jiangsu Shenghua shall pay Guangli Company the project funds, penalty and the job ready loss which it owns Guangli Company, in the amount of RMB50,281,700 (among which: 1# Ship RMB26,876,000 and 2# Ship RMB23,405,700) in total. In 2011, Jiangsu Shenghua made part of project payment to Guangli. Following mediation by Wuhan Maritime Court on 29 July 2011, Jiangsu Shenghua was required to repay RMB16,940,000 by installments to Guangli. As at 4 June 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua with the later returned all the related assets.

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

In November 2014, the Company received notice from executive court of Wuhan Maritime Court, that Jiangsu Shenghua has been ruled bankruptcy at Zhenjiang Intermediate 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 third meeting of debtors for bankruptcy is expected to be held within 2018.

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From 1 January 2018 to 30 June 2018

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

- (2) 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 June 27, 2014, GSI submitted the second written valuation of land and property to the acting judge and applied for an auction. On 29 July 2014, the court picked up an assessment institution by drawing lots. On 22 January 2015, upon receipt of the valuation report from the appraisal company, GSI submitted the application to the court for auction of land and properties of Tian Jiang and Qingyun.

On 7 April 2015, Jinan Intermediate People's Court engaged Shandong Jiahe International Auction Co., Ltd and Shandong Peifeng Auction and Bidding Co., Ltd to hold a public auction on the land use right (including the buildings on the land) of privately owned park of Shandong Qingyun Crane Machinery Co., Ltd. located in Yangliu Town Xintai City, and the land use right (including the buildings, equipment and trees on the land) of Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. located at Keyuan Road, Shanghe County Economic Development Zone, and the auction fell through as there was no bidder. Upon the auction falling through, GSI immediately applied to the court for setting off some of the debts with the reserved price determined in the auction. On 8 April 2015, Jinan Intermediate People's Court issued the judgment that, the land use right of Qingyun and the properties on the land and the land use right of Tian Jiang, valued as RMB35,105,956, be delivered to GSI to offset some of the debts. On 9 June 2015, GSI received the ruling for termination of the enforcement process from Jinan Intermediate People's Court, and it might apply for resumption of the execution when new clues of properties are found. In December 2015, the execution and project coordination group of Qingyun case realised on-site movable properties of Tian Jiang (which shall be vested with the Company as ruled by the court) at RMB98,000 at local sites by inviting bids, which has been received by GSI.

As at the end of the period, the disposal of the pledged assets of Shandong Qingyun by GSI was still pending.

- (3) The case of contractual dispute between Longxue Pipe, a subsidiary of the Company, and Guangzhou Electromechanical Equipment Co., Ltd. ("Huayu Company") was finally ruled by Guangzhou Intermediate People's Court on 13 October 2014. According to the ruling, Huayu was required to pay Longxue Pipe RMB4,953,239.77 and overdue interests as well as the liquidated damages while Longxue Pipe was required to pay Huayu Company the processing fee of RMB300,976.74. After the set-off, Huayu Company still owed Longxue Pipe RMB4,652,263.03. At present, RMB406,637.00 had been recovered, and Longxue Pipe has engaged lawyers to seek for enforceable properties of Huayu Company.
- (4) 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 the end of the period, 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 the end of the period.

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XIV. COMMITMENTS

1. Significant commitments

1) Pledge of assets

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

2) Undue guarantees and letter of credits

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

Type of guarantee	RMB	US\$	EUR	GBP
Performance guarantee	568,051,156.60	7,252,096.61	938,238.10	
Advancement payment guarantee	664,417,513.00	341,117,647.20		201,000.00
Warranty guarantee	29,903,645.40	4,113,696.45		
Customs duties guarantee	77,641,850.83			
Other non-financing letters of guarantee		1,230,000.00		
Tender bond	6,100,000.00			
Total	1,346,114,165.83	353,713,440.26	938,238.10	201,000.00

3) As at the end of the period, the Group's issued but undue letters of credit amounted to RMB10,331,153.25, US\$30,023,708.72 and EUR20,177,564.86.

4) Outstanding foreign exchange option transactions

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 period, the Group had a total of 59 outstanding forward settlement foreign exchange contracts with total amount of US\$747.58 million and latest settlement date of 24 December 2020, and recognised gain on change in fair value of RMB-78,395,400 as at the end of the period; the Group had a total of 10 outstanding exchange swap contracts with total amount of US\$90.2 million and latest settlement date of 29 March 2019, and recognised gain on change in fair value of RMB1,222,300 as at the end of the period; the Group had a total of 116 outstanding option portfolios with total amount of US\$1,414.5 million and latest settlement date of 26 June 2020, and recognised gain on change of fair value of RMB-141,011,300 as at the end of the period.

2. Fulfilment of previous commitments

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

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

XV. EVENTS AFTER BALANCE SHEET DATE

As at the date of this report, there were no non-adjusting significant post balance sheet date events of the Group requiring explanations.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

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.

(2) Financial Information of reportable segments for the year

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

Current period

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
Operating income	7,482,255,001.47	479,097,588.64	453,837,935.57	-195,254,906.27	8,219,935,619.41
Including: Revenue from external transactions	7,292,183,938.79	479,013,537.38	448,738,143.24		8,219,935,619.41
Revenue from intra-segment transactions	190,071,062.680	84,051.26	5,099,792.33	-195,254,906.27	
Operating costs	7,476,190,588.37	453,453,141.90	398,393,203.89	-188,128,545.16	8,139,908,389.00
Charges during the period	562,582,681.78	20,872,243.73	38,206,235.26	12,542,673.98	634,203,834.75
Total segment profit	-402,599,545.64	5,717,290.10	5,804,967.47	20,673,052.15	-370,404,235.92
Total assets	45,415,488,201.79	765,505,700.41	10,036,883,826.92	-11,268,422,158.41	44,949,455,570.71
Total liabilities	30,094,927,730.50	603,962,006.46	1,049,473,810.55	-3,267,490,036.34	28,480,873,511.17
Supplementary information					
Capital Expenditure	410,814,091.88	10,450,008.43	50,584,519.18	-100,000,000.00	371,848,619.49
Impairment loss recognised during current period	91,466,143.03	-484,217.97	153,326.68		91,135,251.74
Depreciation and amortisation expense	319,551,664.51	3,030,163.40	36,483,404.17	295,071.53	359,360,303.61

Corresponding period of last year

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
Operating income	9,640,381,852.31	467,264,100.00	816,343,158.51	-506,457,913.37	10,417,531,197.45
Including: Revenue from external transactions	9,614,909,524.50	454,106,414.54	348,515,258.41		10,417,531,197.45
Revenue from intra-segment transactions	25,472,327.81	13,157,685.46	467,827,900.10	-506,457,913.37	
Operating costs	8,899,544,721.50	408,799,244.56	753,653,060.68	-492,423,049.36	9,569,573,977.38
Charges during the period	735,166,323.41	28,851,290.50	42,301,849.54	-1,903,265.27	804,416,198.18
Total segment profit	29,777,885.97	29,368,766.25	52,443,463.55	-48,522,456.95	63,067,658.82
Total assets	42,713,643,017.18	912,421,558.69	12,271,013,047.85	-11,168,124,302.78	44,728,953,320.94
Total liabilities	32,232,346,939.81	508,986,438.40	1,422,654,811.42	-1,370,497,378.71	32,793,490,810.92
Supplementary information					
Capital Expenditure	194,775,611.39	64,047.32	114,456,517.61	-2,301,826.45	306,994,349.87
Impairment loss recognised during current period	16,695,151.22	-184,488.01	-2,203,590.57		14,307,072.64
Depreciation and amortisation expense	319,733,235.47	2,990,200.88	58,763,266.43	-367,714.99	381,118,987.79

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

b. Revenue from external transactions by origin of revenue

Item	Current period	Corresponding period of last year
Revenue from external transactions derived from China	8,197,510,141.58	10,366,453,884.44
Revenue from external transactions derived from other countries	22,425,477.83	51,077,313.01
Total	8,219,935,619.41	10,417,531,197.45

c. Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China	13,267,656,369.51	13,380,356,734.16
Non-current assets in other countries	325,208,380.67	260,187,291.34
Total	13,592,864,750.18	13,640,544,025.50

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

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

1. Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash	1,994.23	2,255.54
Bank deposits	91,688,271.33	513,256,051.65
Total	91,690,265.56	513,258,307.19

Including: Total amount deposited overseas

2. Notes and accounts receivable

Item	No.	Ending balance	Beginning balance
Notes receivable	(1)	980,742.81	100,000.00
Accounts receivable	(2)	41,031,360.03	34,815,043.87
Total		42,012,102.84	34,915,043.87

(1) Notes receivable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	980,742.81	100,000.00
Total	980,742.81	100,000.00

The ageing of these notes receivable of the Company as at the end of the period were less than 60 days.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

(2) Accounts receivable

Types of notes	Ending balance	Beginning balance
Accounts receivable	46,250,443.35	39,981,105.94
Less: Provision for bad debts	5,219,083.32	5,166,062.07
Net amount	41,031,360.03	34,815,043.87

1) Credit period of accounts receivable

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

2) Ageing analysis on accounts receivable

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	35,872,525.09	88,217.87	0.25
1-2 years	1,115,387.47	4,576.93	0.41
2-3 years			
3-4 years	5,409,149.02	4,048,639.45	74.85
4-5 years	1,417,360.45	185,768.26	13.11
Over 5 years	2,436,021.32	891,880.81	36.61
Total	46,250,443.35	5,219,083.32	11.28

Ageing	Beginning 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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

3) Breakdown of accounts receivable by risk

Type	Ending balance				Beginning balance					
	Book balance		Provision for bad debts		Book balance		Provision for bad debts		Net amount	
	Amount	Percentage (%)	Amount	Provision Percentage (%)	Amount	Percentage (%)	Amount	Provision Percentage (%)		
Accounts receivable which are individually significant and for which the provision for bad debts is made on an individual basis										
Accounts receivable for which the provision for bad debts is made on a credit risk feature portfolio basis	41,144,437.47	88.96	113,077.44	0.27	41,031,360.03	34,925,434.75	87.35	110,390.88	0.32	34,815,043.87
Accounts receivable which are individually insignificant but for which the provision for bad debts is made on an individual basis	5,106,005.88	11.04	5,106,005.88	100.00	-	5,055,671.19	12.65	5,055,671.19	100.00	-
Total	46,250,443.35	-	5,219,083.32	-	41,031,360.03	39,981,105.94	-	5,166,062.07	-	34,815,043.87

A Accounts receivable which are individually insignificant but for which the provision for bad debts is made on an individual basis

Name of entity	Book balance	Amount of bad debts	Percentage (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,041,802.71	4,041,802.71	100.00	Expected to be unrecoverable
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Expected to be unrecoverable
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Expected to be unrecoverable
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Expected to be unrecoverable
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Expected to be unrecoverable
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Expected to be unrecoverable
Zhenhua Gulf Engineering Co. Ltd.	72,158.73	72,158.73	100.00	Expected to be unrecoverable
Qingdao Haier Special Plastic Development Co. Ltd.	44,800.00	44,800.00	100.00	Expected to be unrecoverable
Hisense (Nanjing) Electric Company Limited	39,100.00	39,100.00	100.00	Expected to be unrecoverable
Guangzhou Merro Steel Grating Co., Ltd.	35,000.00	35,000.00	100.00	Expected to be unrecoverable
Hefei Haier Refrigerator Co., Ltd.	32,600.00	32,600.00	100.00	Expected to be unrecoverable
Qingdao Haier Electric Plastic Development Co., Ltd.	18,000.00	18,000.00	100.00	Expected to be unrecoverable
Shenzhen Jishang Architectural Company	15,904.00	15,904.00	100.00	Expected to be unrecoverable
Hefei Rongshida Refrigerator Co., Ltd.	14,565.60	14,565.60	100.00	Expected to be unrecoverable
Total	5,106,005.88	5,106,005.88	100.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

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

Name of portfolio	Book balance	Amount of bad debts	Percentage (%)
Within one year	17,643,574.83	88,217.87	0.5
1-2 years	915,387.47	4,576.93	0.5
2-3 years			
3-4 years	1,367,346.31	6,836.74	0.5
4-5 years	1,237,781.10	6,188.91	0.5
Over 5 years	1,451,397.50	7,256.99	0.5
Total	22,615,487.21	113,077.44	-

C *Accounts receivable for which no provision for bad debts is made*

Name of portfolio	Book value at the end of period	Provision for bad debts	Net amount
Receivables from subsidiaries	18,528,950.26	0.00	18,528,950.26
Total	18,528,950.26	-	18,528,950.26

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

Provision for bad debts made during the period amounted to RMB53,021.25; provision for bad debts recovered or reversed during the period amounted to RMB0.00.

5) There were no accounts receivable written off during the period.

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

Name of entity	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Guangzhou Shipyard International Company Limited	9,423,499.98	Within one year	20.37	
Zhongshan GSI Marine Engineering Company Limited	8,456,535.99	Within one year	18.28	
TENOVA AUSTRALIA PTY LTD	4,041,802.71	3-4 years	8.74	4,041,802.71
Shenzhen Xuneng Power Generation Co., Ltd.	2,317,289.60	Within one year	5.01	11,586.45
Shenzhen Southern China Xinhai Conveyor Machinery Co., Ltd.	2,203,731.18	Within one year	4.76	11,018.66
Total	26,442,859.46		57.16	4,064,407.82

3. Prepayments

(1) *Ageing of prepayments*

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	3,097,708.11	81.16	1,161,905.00	62.40
1-2 years	9,202.00	0.24	0.00	0.00
2-3 years	10,012.00	0.26	700,000.00	37.60
Over 3 years	700,000.00	18.34	0.00	0.00
Total	3,816,922.11	-	1,861,905.00	-

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

Name of entity	Relationship with the Company	Amount	Percentage of total advances to suppliers (%)	Ageing	Reason for unsettlement
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	Subsidiaries	700,000.00	18.34	Over 3 years	Project uncompleted
Total		700,000.00			

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

Name of entity	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	700,000.00	3-4 years	18.34
Guangzhou Jin Jie Fu Metal Products Co., Ltd.	675,446.00	Within one year	17.70
Cybelec Numerical Control Technology (Shanghai) Co., Ltd.	293,644.00	Within one year	7.69
Dongguan Hongcan Steel Co., Ltd.	284,000.00	Within one year	7.44
Shanghai Mingjue Trading Co., Ltd.	242,976.00	Within one year	6.37
Total	2,196,066.00	–	57.54

4. Other receivables

Item	No.	Ending balance	Beginning balance
Interest receivable	(1)		403,909.69
Other receivables	(2)	16,307,061.98	9,128,338.88
Total		16,307,061.98	9,532,248.57

(1) Interest receivable

Item	Ending balance	Beginning balance
Interest on deposits of finance company		403,909.69
Total		403,909.69

(2) Other receivables

Types of notes	Ending balance	Beginning balance
Other receivables	16,311,385.72	9,133,505.56
Less: Provision for bad debts	4,323.74	5,166.68
Net amount	16,307,061.98	9,128,338.88

NOTES TO THE FINANCIAL STATEMENTS

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1) Ageing analysis of other receivables

Item	Ending balance					Beginning balance				
	Carrying amount	Percentage (%)	Provision for bad debts	Provision Percentage (%)	Net amount	Carrying amount	Percentage (%)	Provision for bad debts	Provision Percentage (%)	Net amount
Within one year	15,620,738.12	95.77	870.50	0.01	15,619,867.62	8,718,878.98	95.46	3,093.55	0.04	8,715,785.43
1-2 years	276,021.02	1.69	1,380.11	0.50	274,640.91	265,000.00	2.90	1,325.00	0.50	263,675.00
2-3 years	414,626.58	2.54	2,073.13	0.50	412,553.45	149,626.58	1.64	748.13	0.50	148,878.45
Total	16,311,385.72	-	4,323.74	0.03	16,307,061.98	9,133,505.56	-	5,166.68	0.06	9,128,338.88

2) Breakdown of other receivables

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying value	Amount	Percentage (%)	Amount	Percentage (%)	Carrying value
Other receivables which are individually significant and for which the 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	16,311,385.72	100.00	4,323.74	0.03	16,307,061.98	9,133,505.56	100.00	5,166.68	0.06	9,128,338.88
Other receivables which are individually insignificant but for which the provision for bad debts is made on an individual basis										
Total	16,311,385.72	-	4,323.74	-	16,307,061.98	9,133,505.56	-	5,166.68	-	9,128,338.88

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

Ageing	Other receivables	Ending balance Provision for bad debts	Percentage (%)
Within one year	174,100.10	870.50	0.50
1-2 years	276,021.02	1,380.11	0.50
2-3 years	414,626.58	2,073.13	0.50
Total	864,747.70	4,323.74	-

B Other receivables for which no provision for bad debts is made

Name of portfolio	Other receivables	Ending balance Provision for bad debts	Percentage (%)
Receivables from subsidiaries	15,446,638.02		
Total	15,446,638.02		-

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

Provision for bad debts made during the period amounted to RMB-842.94, and there was no provision for bad debts recovered or reversed during the period.

NOTES TO THE FINANCIAL STATEMENTS

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4) Breakdown of other receivables by nature

Nature	Book value at the end of period	Book value at the beginning of year
Refundable deposit	10,440.00	10,440.00
Temporary payments receivable	16,249,338.90	8,969,153.42
Reserve funds	51,606.82	153,912.14
Total	16,311,385.72	9,133,505.56

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

Name of entity	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debts
Guangzhou Shipyard International Company Limited	Current account	15,018,290.23	Within one year	92.07	
Marine Development (Zhongshan) Co., Ltd.	Deposit	265,000.00	2-3 years	1.62	1,325.00
CSSC Huangpu Wenchong Shipbuilding Company Limited	Interest	261,111.12	Within one year	1.60	
Guangzhou Wenchong Shipyard Co., Ltd.	Interest	166,666.67	Within one year	1.02	
China Telecom Corporation Limited Foshan Branch	Current account	33,596.35	Within one year	0.21	167.98
Total	-	15,744,664.37	-	96.52	1,492.98

5. 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	23,206,924.95	23,206,924.95	14,940,522.06	14,940,522.06		
Work in progress	85,534,340.90	7,030,838.08	78,503,502.82	100,335,599.43	8,979,129.40	91,356,470.03
Finished goods	13,900,394.70	15,951.95	13,884,442.75	15,417,771.61	15,951.95	15,401,819.66
Goods in transit	8,693,041.78	8,693,041.78	9,497,676.83	9,497,676.83		
Total	131,334,702.33	7,046,790.03	124,287,912.30	140,191,569.93	8,995,081.35	131,196,488.58

(2) Provision for impairment of inventories

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision	Others	Reversal or writing-off	Other transfer-out	
Work in progress	8,979,129.40			1,948,291.32		7,030,838.08
Finished goods	15,951.95					15,951.95
Total	8,995,081.35			1,948,291.32		7,046,790.03

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From 1 January 2018 to 30 June 2018

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

(3) Provision for impairment of inventories

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

6. 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	50,000,000.00	Note
Long-term receivables due with one year	109,000,000.00	600,000,000.00	Note
Total	159,000,000.00	650,000,000.00	

Note: Long-term entrusted loans and long-term receivables due within one year represented borrowings to subsidiaries.

7. Other current assets

Item	Ending balance	Beginning balance	Nature
Input tax to be offset	11,806,415.98	12,058,591.92	
Short-term entrusted loans	370,000,000.00	270,000,000.00	
Total	381,806,415.98	282,058,591.92	

8. 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	7,232,881,238.66		7,232,881,238.66
Investments in associates	641,099,031.23		641,099,031.23	640,978,366.06		640,978,366.06
Investments in joint ventures	54,525,402.20		54,525,402.20	28,345,549.91		28,345,549.91
Total	7,928,505,672.09		7,928,505,672.09	7,902,205,154.63		7,902,205,154.63

(2) Investments in subsidiaries

Investee	Beginning balance	Increase for the period	Decrease for the period	Ending balance	Provision for	Ending balance
					impairment made during the period	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		
Total	7,232,881,238.66			7,232,881,238.66		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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(3) Investments in joint ventures

Investee	Beginning balance	Additional investment	Decrease in investment	Changes in the period			Declaration and payment of cash dividend or profit	Provision for impairment made	Others	Ending balance	Provision for impairment ending balance
				Investment gain or loss recognised using equity method	Other comprehensive income adjustment	Other changes in equity					
Nanfeng Environment Co., Ltd.	28,345,549.91	30,000,000.00		-3,820,147.71						54,525,402.20	
Total	28,345,549.91	30,000,000.00		-3,820,147.71						54,525,402.20	

(4) Investments in associates

Investee	Beginning balance	Additional investment	Decrease for the period investment	Changes in the period			Declaration and payment of cash dividend or profit	Provision for impairment made	Others	Ending balance	Provision for impairment ending balance
				Investment gain or loss recognised using equity method	Other comprehensive income adjustment	Other changes in equity					
CSSC Chengxi Yangzhou Shipbuilding Company Limited	640,978,366.06			120,665.17						641,099,031.23	
Total	640,978,366.06			120,665.17						641,099,031.23	

(5) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	7,928,505,672.09	7,902,205,154.63
Total	7,928,505,672.09	7,902,205,154.63

9. 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	135,879,178.20	82,898,713.03	2,621,466.86	837,972.94	222,237,331.03
2. Increase for the period				488,563.33	488,563.33
(1) Purchase				488,563.33	488,563.33
3. Decrease for the period		31,132.31			31,132.31
(1) Retirement		31,132.31			31,132.31
4. Ending balance	135,879,178.20	82,867,580.72	2,621,466.86	1,326,536.27	222,694,762.05
II. Accumulated depreciation					
1. Beginning balance	76,524,616.25	66,724,554.58	1,856,709.61	350,820.40	145,456,700.84
2. Increase for the period	1,958,912.51	1,345,561.73	87,198.35	89,342.33	3,481,014.92
(1) Provision made	1,958,912.51	1,345,561.73	87,198.35	89,342.33	3,481,014.92
3. Decrease for the period					
4. Ending balance	78,483,528.76	68,070,116.31	1,943,907.96	440,162.73	148,937,715.76
III. Provision for impairment					
1. Beginning balance					
2. Increase for the period					
3. Decrease for the period					
4. Ending balance					
IV. Carrying value					
1. Carrying value at the end of the period	57,395,649.44	14,797,464.41	677,558.90	886,373.54	73,757,046.29
2. Carrying value at the beginning of the year	59,354,561.95	16,174,158.45	764,757.25	487,152.54	76,780,630.19

The depreciation and amortisation of fixed assets recognised in profit or loss during the period is RMB3,481,014.92 (Corresponding period of last year: RMB3,506,544.09).

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From 1 January 2018 to 30 June 2018

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

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	57,395,649.44	59,354,561.95
Total	57,395,649.44	59,354,561.95

10. Construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Gantry bed renovation	790,366.14		790,366.14			
Total	790,366.14		790,366.14			

11. 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 period				
3. Decrease for the period				
4. Ending balance	14,780,508.50			14,780,508.50
II. Accumulated amortisation				
1. Beginning balance		3,988,478.60		3,988,478.60
2. Increase for the period		161,651.58		161,651.58
(1) Provision made		161,651.58		161,651.58
3. Decrease for the period				
4. Ending balance		4,150,130.18		4,150,130.18
III. Provision for impairment				
1. Beginning balance				
2. Increase for the period				
3. Decrease for the period				
4. Ending balance				
IV. Carrying value				
1. Carrying value at the end of the period	10,630,378.32			10,630,378.32
2. Carrying value at the beginning of the year	10,792,029.90			10,792,029.90

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

Land use rights analyzed by region and term:

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	10,630,378.32	10,792,029.90
Total	10,630,378.32	10,792,029.90

The amortisation of intangible assets recognised in profit or loss during the period is RMB161,651.58 (Corresponding period of last year: RMB161,651.64).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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12. Long-term prepaid expenses

Item	Beginning balance	Increase for the period	Amortisation for the period	Other decreases for the period	Ending balance
Improvement in leased fixed assets	2,344.24		2,344.24		
Total	2,344.24		2,344.24		

13. 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	12,270,197.10	14,166,310.10
Deductible tax loss	459,317,894.97	439,741,825.94
Total	471,588,092.07	453,908,136.04

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

Year	Ending balance	Beginning balance	Remarks
2020	328,054,955.11	388,478,886.08	
2021	51,262,939.86	51,262,939.86	
Total	379,317,894.97	439,741,825.94	

14. Other non-current assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	2,894,563.48	2,776,042.97
Long-term entrusted loans	300,000,000.00	
Total	302,894,563.48	2,776,042.97

15. Short-term borrowings

Type	Ending balance	Beginning balance
Credit loans	100,000,000.00	100,000,000.00
Total	100,000,000.00	100,000,000.00

As at the end of the period, the weighted average annual interest rate of short-term borrowings was 1.85%.

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From 1 January 2018 to 30 June 2018

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16. Notes and accounts payable

Item	No.	Ending balance	Beginning balance
Accounts payable	(1)	60,027,673.79	65,977,190.78
Total		60,027,673.79	65,977,190.78

(1) Accounts payable

1) Accounts payable by category

Item	Ending balance	Beginning balance
Materials purchased	55,557,117.69	61,780,031.99
Payment for projects under construction	563,063.32	
Balance of product payment	1,039,401.24	687,549.71
Retention money	1,936,196.71	1,936,196.71
Other construction and labour services	1,494,958.15	1,010,349.05
Total	60,027,673.79	65,977,190.78

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

Ageing	Ending balance	Beginning balance
Within one year	38,587,308.99	51,872,067.37
1-2 years	11,614,059.77	5,424,628.44
2-3 years	4,519,978.46	8,619,438.37
Over 3 years	5,306,326.57	61,056.60
Total	60,027,673.79	65,977,190.78

3) Significant accounts payable aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Guangzhou United Steel Structures Limited	8,878,086.07	Undue
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	4,501,679.46	Undue
Zhongshan GSI Marine Engineering Company Limited	1,934,431.48	Undue
Guangzhou Songxing Electric Company Limited	540,000.00	Undue
Lianjian-Fonkwang JV Limited	334,575.14	Undue
Total	16,188,772.15	-

17. Contract liabilities

Item	Ending balance	Beginning balance
Electromechanical and other products	82,183,343.08	55,310,128.61
Total	82,183,343.08	55,310,128.61

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From 1 January 2018 to 30 June 2018

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18. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term employee benefits	1,611,226.23	21,218,152.06	22,829,378.29	
Post-employment benefits – defined contribution plans		1,963,205.93	1,963,205.93	
Total	1,611,226.23	23,181,357.99	24,792,584.22	

(2) Short-term employee benefits

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	1,611,226.23	11,978,006.77	13,589,233.00	
Employee benefits		692,570.12	692,570.12	
Social insurance		904,725.06	904,725.06	
Including: Medical insurance		732,244.54	732,244.54	
Work-related injury insurance		55,626.25	55,626.25	
Maternity insurance		91,101.54	91,101.54	
Supplemental medical insurance		25,752.73	25,752.73	
Housing fund		1,126,068.00	1,126,068.00	
Union & employee education funds		280,807.07	280,807.07	
Outsourcing labour costs and other short-term compensation		6,235,975.04	6,235,975.04	
Total	1,611,226.23	21,218,152.06	22,829,378.29	

(3) Defined contribution plans

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

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

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Basic pension insurance		1,884,184.06	1,884,184.06	
Unemployment insurance		79,021.87	79,021.87	
Total		1,963,205.93	1,963,205.93	

As at the end of the period, all planned pension and unemployment insurance contributions of the Company had been made.

19. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	928,993.28	2,220,452.29
Individual income tax	329,968.44	543,686.74
City maintenance and construction tax	43,134.78	10,262.44
Property tax	485,152.86	970,305.62
Land use tax	179,033.10	358,066.80
Educational surcharge	30,810.56	7,330.32
Other taxes	11,493.24	5,097.22
Total	2,008,586.26	4,115,201.43

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20. Other payables

Item	No.	Ending balance	Beginning balance
Interest payable	(1)	56,013.89	339,166.67
Dividends payable	(2)	306,030.10	383,540.92
Other payables	(3)	37,445,477.83	29,876,357.49
Total		37,807,521.82	30,599,065.08

(1) Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings of which the interest is paid in installments and the principal is repaid when due	4,625.00	282,638.89
Interest payable on short-term borrowings	51,388.89	56,527.78
Total	56,013.89	339,166.67

(2) Dividends payable

Item	Ending balance	Beginning balance
Dividends on ordinary shares	306,030.10	383,540.92
Including: Dividends payable for A shares	68,078.78	145,589.60
Dividends payable for H shares	237,951.32	237,951.32
Total	306,030.10	383,540.92

(3) Other payables

1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	582,560.00	332,360.00
Payable for temporary receipts	36,862,917.83	29,543,997.49
Total	37,445,477.83	29,876,357.49

2) Significant other payables aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Guangzhou Guangda Yimin Mechanical and Electrical Engineering Services Co., Ltd.	15,000.00	Deposits received
Foshan Nanhai Yangming Ship Hardware Co., Ltd.	300,000.00	Deposits received
Marine Development (Zhongshan) Co., Ltd.	265,000.00	Deposit
Foshan Xinlun Pressure Vessel Co., Ltd.	274,566.00	Deposit
Shanxi Xiecheng Engineering Tendering Agency Co., Ltd.	10,440.00	Deposits received
Total	865,006.00	

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21. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due with one year	9,000,000.00	500,000,000.00
Total	9,000,000.00	500,000,000.00

Including: Long-term borrowings due with one year

Type	Ending balance	Beginning balance
Credit loans	9,000,000.00	500,000,000.00
Total	9,000,000.00	500,000,000.00

The carrying amount of the above borrowings shall be repaid:

Within one year	9,000,000.00	500,000,000.00
Over one year but less than two years after balance sheet date		
Over two years but less than five years after balance sheet date		
Less: Amount due within one year shown under current liabilities	9,000,000.00	500,000,000.00
Amount shown under non-current liabilities		

22. Long-term payables

Item	No.	Ending balance	Beginning balance
Special payables	(1)	99,370,000.00	99,370,000.00
Total		99,370,000.00	99,370,000.00

(1) Special payables

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

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

23. Share capital

The amount is the same as that in the consolidated statements. For details, please see Note VI.34.

24. Capital reserve

Item	Beginning balance	Increase for the period	Decrease for the period	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

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25. Surplus reserve

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	454,088,745.02			454,088,745.02
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	472,670,941.45			472,670,941.45

26. Undistributed profit

Item	Current period	Corresponding period of last year
Ending balance of last year	744,290,926.38	674,572,834.25
Add: Beginning adjustment to undistributed profit		
Beginning balance of the year	744,290,926.38	674,572,834.25
Add: Net profit attributable to owners of the Company for the period	-13,294,392.79	34,352,097.03
Other adjustments		
Less: Statutory surplus reserve set aside		22,616,102.05
Dividends payable on ordinary shares		
Ending balance of current period	730,996,533.59	686,308,829.23

27. Net current assets

Item	Ending balance	Beginning balance
Current assets	818,920,680.77	1,622,822,585.13
Less: Current liabilities	291,027,124.95	757,612,812.13
Net current assets	527,893,555.82	865,209,773.00

28. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	9,155,498,707.09	9,635,378,787.06
Less: Current liabilities	291,027,124.95	757,612,812.13
Total assets less current liabilities	8,864,471,582.14	8,877,765,974.93

29. Borrowings

Details of the borrowings of the Company are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	100,000,000.00	100,000,000.00
Non-current liabilities due within one year	9,000,000.00	500,000,000.00
Long-term borrowings		
Total	109,000,000.00	600,000,000.00

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(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	109,000,000.00	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	109,000,000.00	600,000,000.00

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	109,000,000.00	600,000,000.00
1-2 years		
2-5 years		
Total	109,000,000.00	600,000,000.00

30. Operating income & Operating costs

Item	Current period	Corresponding period of last year
Income from principal business	80,998,086.39	64,797,138.99
Income from other business	1,241,490.33	1,756,317.72
Total	82,239,576.72	66,553,456.71
Costs of principal business	91,629,949.68	63,108,447.11
Costs of other business	15,849.06	796,285.95
Total	91,645,798.74	63,904,733.06

Gross profit of principal business

Item	Current period	Corresponding period of last year
Income from principal business	80,998,086.39	64,797,138.99
Costs of principal business	91,629,949.68	63,108,447.11
Gross profit	-10,631,863.29	1,688,691.88

(1) Principal business – by product

Product name	Current period	Corresponding period of last year
Operating income		
Electromechanical products and others	80,998,086.39	64,797,138.99
Total	80,998,086.39	64,797,138.99
Operating costs		
Electromechanical products and others	91,629,949.68	63,108,447.11
Total	91,629,949.68	63,108,447.11

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(2) Principal business – by region

Region name	Current period	Corresponding period of last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	80,998,086.39	64,797,138.99
Total	80,998,086.39	64,797,138.99
Operating costs		
China (including Hong Kong, Macau and Taiwan)	91,629,949.68	63,108,447.11
Total	91,629,949.68	63,108,447.11

(3) Other operating income and other operating costs

Product name	Current period	Corresponding period of last year
Income from other business		
Sales of scrap materials	1,225,641.27	899,174.86
Service income	15,849.06	
Rental income		857,142.86
Total	1,241,490.33	1,756,317.72
Costs of other business		
Sales of scrap materials	15,849.06	52,761.65
Service income		
Rental income		743,524.30
Total	15,849.06	796,285.95

(4) Top five customers by operating income

Customers	Relationship with the Group	Current period	Percentage (%)
Shenzhen Xuneng Power Generation Co., Ltd.	Third party	26,495,726.50	32.71 %
Guangzhou Shipyard International Company Limited	Internal related party	8,594,256.69	10.61 %
Foshan Dingchuang Jingli Machinery Equipment Co., Ltd.	Third party	7,798,690.10	9.63 %
Zhongshan GSI Marine Engineering Company Limited	Internal related party	5,733,887.29	7.08 %
Changsha Zehai Electromechanical Equipment Co., Ltd.	Third party	5,586,508.52	6.90 %
Total		54,209,069.1	66.93%

(5) Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount	Percentage (%)
Foshan Shunde Bogang Metal Trading Co., Ltd.	Third party	9,262,395.91	10.11 %
Zhongshan GSI Marine Engineering Company Limited	Internal related party	5,475,897.44	5.98 %
Jiangmen Mengde Electric Co., Ltd.	Third party	1,976,834.19	2.16 %
Zhaoqing Tongyong Hydraulic And Pneumatic Components Co., Ltd.	Third party	1,471,795.73	1.61 %
Foshan Shunde Cheng Jiang Hui Metal Materials Co., Ltd.	Third party	1,417,440.07	1.55 %
Total		19,604,363.34	21.41%

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

31. Taxes and surcharges

Item	Current period	Corresponding period of last year
Property tax	485,152.80	593,152.80
Land use tax	179,033.10	179,498.10
City maintenance and construction tax	81,934.86	217,070.41
Educational surcharge	58,524.91	155,050.29
Vehicle usage tax	1,592.16	3,252.96
Stamp duty	44,890.12	106,339.90
Total	851,127.95	1,254,364.46

32. Selling expenses

Item	Current period	Corresponding period of last year
Transportation fees	1,642,643.26	1,328,074.39
Business expenditure	680,048.94	429,000.21
Exhibition fees	110,037.74	136,384.69
Advertising fee	1,388.35	16,556.61
Other selling expenses		1,000.00
Total	2,434,118.29	1,911,015.90

33. Administrative expenses

Item	Current period	Corresponding period of last year
Employee salaries	3,164,040.78	3,774,907.15
Board meeting fee	1,786,767.43	1,060,836.38
Repairing expenses	919,521.18	427,737.17
SF Express project expense	669,092.53	
Other administrative expenses	503,916.83	369,702.70
Information management fee	248,345.73	
Logistics service fee	221,555.86	
Security, fire fighting and safety activity fee	200,327.08	149,629.44
Depreciation charge	170,463.57	64,400.98
Amortisation of intangible assets	161,651.58	161,651.64
Travelling expense	150,577.62	151,969.49
Intermediary fee	123,381.04	293,468.62
Business entertainment expense	109,938.94	128,312.92
Litigation fees	75,111.12	225,471.69
Party building work expense	65,208.53	
Office expenses	44,052.93	31,047.38
Insurance premium	9,699.81	21,598.98
Consulting fee		113,207.55
Lease expenses		98,857.14
Utilities expense		18,039.09
Environmental protection fee		471.70
Total	8,623,652.56	7,091,310.02

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

34. Finance cost

(1) Breakdown of finance cost

Item	Current period	Corresponding period of last year
Interest expenses	2,282,026.39	6,940,326.41
Less: Interest income	14,887,597.24	7,449,193.41
Add: Exchange losses	647,405.27	-1,063,382.34
Add: Other expenses	154,644.39	17,400.33
Total	-11,803,521.19	-1,554,849.01

(2) Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank borrowings and overdraft	2,282,026.39	6,940,326.41
Interest on bank borrowings due within 5 years	2,282,026.39	6,940,326.41
Less: Interest capitalised		
Total	2,282,026.39	6,940,326.41

(3) Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	1,390,602.28	508,867.00
Interest income on entrusted loans	13,496,994.96	6,940,326.41
Total	14,887,597.24	7,449,193.41

35. Loss on impairment of assets

Item	Current period	Corresponding period of last year
Loss on impairment of inventories		-1,476,625.60
Total		-1,476,625.60

36. Credit impairment risk

Item	Current period	Corresponding period of last year
Loss on bad debts	52,178.31	-113,654.13
Total	52,178.31	-113,654.13

37. Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	-3,699,482.54	
Gain on long-term equity investments accounted for using cost method		29,280,048.42
Total	-3,699,482.54	29,280,048.42

The investment income from non-listed investments for the period amounted to RMB-3,699,482.54.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

38. Other income

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Special post-R&D grant for enterprises in Guangzhou for 2016		8,123,700.00	National government subsidy	Relating to revenue
Total		8,123,700.00		

39. Non-operating income

(1) Breakdown of non-operating income

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

The amount included in non-recurring profit and loss for current period was RMB0 (Corresponding period of last year: RMB1,411,197.30).

(2) Breakdown of government grants

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Incentive subsidy for contribution to local economic development by headquarters		1,400,000.00	National government subsidy	Relating to revenue
Total		1,400,000.00		

40. Non-operating expenses

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Total losses on disposal of non-current assets	31,132.31		31,132.31
Including: Loss on disposal of fixed assets	31,132.31		31,132.31
Others		10.70	
Total	31,132.31	10.70	31,132.31

The amount included in non-recurring profit and loss for current period was RMB31,132.31 (Corresponding period of last year: RMB10.70).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

41. Income tax expense

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

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

Item	Current period	Corresponding period of last year
Total consolidated profit for the period	-13,294,392.79	34,352,097.03
Income tax expenses calculated at statutory/ applicable tax rate	-3,323,598.20	8,588,024.26
Impact of different tax rates for subsidiaries		
Impact of adjustment for income tax for previous period	924,870.64	-7,320,012.11
Impact of non-taxable income	78,998.79	12,831.30
Impact of non-deductible costs, expenses and losses		
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised		-1,280,843.45
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period		
Under-provision for income tax for prior years	2,319,728.77	
Change in balance of deferred tax assets/liabilities as a result of change in tax rate		
Income tax expense	0.00	0.00

42. Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of fixed assets	3,481,014.92	3,506,544.09
Long-term prepaid expenses	2,344.24	170,661.48
Amortisation of intangible assets	161,651.58	161,651.64
Total	3,645,010.74	3,838,857.21

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

There was no gain (or loss) on disposal of investments or properties during period (corresponding period of last year: nil).

44. Operating rental expense

Operating rental expense for the period is RMB1,644,611.82 (Corresponding period of last year: RMB98,857.14).

45. Rental income

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

46. Supplementary information on consolidated income statement of the Company

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

Item	Current period	Corresponding period of last year
Raw materials consumed	39,613,190.81	29,911,747.00
Product fee	30,807,669.24	3,802,873.07
Employee compensation expenses	15,725,593.64	20,614,519.84
Others	11,411,963.37	12,788,775.56
Depreciation expenses	3,481,014.92	3,506,544.09
Utilities fee	1,500,141.79	1,950,286.30
Amortisation expenses	163,995.82	332,313.12
Total	102,703,569.59	72,907,058.98

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

47. 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 period	Corresponding period of last year
Income from other current accounts received	7,188,672.30	6,593,536.43
Interest income	1,794,511.97	212,766.47
Government grants		9,523,700.00
Total	8,983,184.27	16,330,002.90

2) Other cash payments relating to operating activities

Item	Current period	Corresponding period of last year
Payment of other current accounts	13,413,428.55	11,570,552.36
Administrative expense	5,199,423.78	3,090,350.25
Reserve funds	332,093.73	661,777.56
Selling expense in cash	306,442.31	782,173.82
Bank charges	212,877.27	17,400.33
Deposit and margin paid		523,360.00
Non-operating expenses		10.70
Total	19,464,265.64	16,645,625.02

3) Other cash receipts relating to investing activities

Item	Current period	Corresponding period of last year
Collection of principal of loans made and settled on a consolidated basis	491,000,000.00	500,000,000.00
Collection of interest on loans made and settled on a consolidated basis	2,565,179.17	7,073,937.51
Interest income on entrusted loans	11,454,444.44	
Total	505,019,623.61	507,073,937.51

4) Other cash payments relating to investing activities

Item	Current period	Corresponding period of last year
Grant of entrusted loans to subsidiaries	400,000,000.00	
Payment of loans to subsidiaries made and settled on a consolidated basis		300,000,000.00
Total	400,000,000.00	300,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

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

Item	Current period	Corresponding period of last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	-13,294,392.79	34,352,097.03
Add: Provision for impairment of assets	52,178.31	-1,590,279.73
Depreciation of fixed assets	3,481,014.92	3,506,544.09
Amortisation of intangible assets	161,651.58	161,651.64
Amortisation of long-term prepaid expenses	2,344.24	170,661.48
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")		-
Loss on retirement of fixed assets (Gain expressed with "-")	31,132.31	-
Loss on changes in fair value (Gain expressed with "-")		-
Finance cost (Gain expressed with "-")	2,879,096.97	-824,886.95
Loss on investments (Gain expressed with "-")	3,699,482.54	-29,280,048.42
Decrease in deferred tax assets (Increase expressed with "-")		-
Increase in deferred tax liabilities (Decrease expressed with "-")		-
Decrease in inventories (Increase expressed with "-")	8,856,867.60	8,273,308.09
Decrease in operating receivables (Increase expressed with "-")	-29,376,062.76	17,361,645.37
Increase in operating payables (Decrease expressed with "-")	21,780,089.59	-56,150,792.96
Others		-
Net cash flows from operating activities	-1,726,597.49	-24,020,100.36
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. Changes in cash and cash equivalents:	-	-
Ending balance of cash	91,690,265.56	92,525,180.51
Less: Cash balance at the beginning of the year	513,258,307.19	88,028,234.52
Add: ending balance of cash equivalents		-
Less: Balance of cash equivalents at the beginning of the year		-
Net increase in cash and cash equivalents	-421,568,041.63	4,496,945.99

(3) Cash and cash equivalents

Item	Ending balance	Balance as at the end of corresponding period of last year
Cash	91,690,265.56	513,258,307.19
Including: Cash on hand	1,994.23	2,255.54
Bank deposits available for use on demand	91,688,271.33	513,256,051.65
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents at the end of the period	91,690,265.56	513,258,307.19
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

XVIII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 23 August 2018.

Supplemental Information on Financial Statements

1. Breakdown of current extraordinary items for the period

- (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 the period were as follows:

Item	Current period	Details
Gain or loss on disposal of non-current assets	-783,194.09	
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	15,824,955.60	
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	25,683,820.27	
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	-221,968,289.98	
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	505,844,283.19	
Other gain or loss items meeting the definition of non-recurring gains or losses		
Sub-total	324,601,574.99	
Effect of income tax	84,317,597.21	
Effect of minority interests (after tax)	51,172,489.59	
Total	189,111,488.19	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2018 to 30 June 2018

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

(2) Notes to the “Other gain or loss items meeting the definition of non-recurring gains or losses” and the non-recurring gain or loss items designated by the Company as recurring items based on the natures and features of its operation:

1) Items defined as recurring gains or losses

Item	Amount	Reason
Interest subsidy	20,210,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Immediately refunded value-added tax for software revenue	345,136.61	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	20,555,136.61	

Note: All the aforesaid government grants are closely relating to the normal operation of the Company, subject to national policies and granted at fixed amount and on a continuous basis, and fall under non-recurring gains on losses in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public.

2. Returns on net assets and earnings per share

In accordance with the Explanatory Announcement No. 9 on Information Disclosure for Companies Offering Their Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings Per Share (2010 revision), the weighted average return on equity, basic earnings per share and diluted earnings per share of the Group for the period from January to June 2018 were as follows:

Profit for the Reporting Period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	-2.67%	-0.2087	-0.2087
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	-4.38%	-0.3425	-0.3425

CSSC Offshore & Marine Engineering (Group) Company Limited

21 September 2018