



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 **2019**

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 18th meeting of the ninth session of the Board held on 29 August 2019. The 2019 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 2019.
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 truthfulness, 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 2019.
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 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

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 Holdings	China CSSC Holdings Limited, a listed company controlled by CSSC
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, a 69.0164%-owned subsidiary of the Company
GSI	Guangzhou Shipyard International Company Limited, a 76.4214%-owned subsidiary of 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
Wenchong Dockyard	Guangzhou Wenchong Dockyard Co., Ltd., a wholly-owned subsidiary of GSI
Longxue Pipe	Guangzhou Longxue Pipe Co., Ltd., a 42.86%-owned subsidiary of GSI
Wenchong Industrial	Guangzhou Wenchong Industrial Co., Ltd., a wholly-owned subsidiary of CSSC
WUYIGE	WUYIGE Certified Public Accountants LLP
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	15th Floor, Ship Building, No.137 Gexin Road, Haizhu District, Guangzhou, China	15th Floor, Ship Building, No.137 Gexin Road, Haizhu District, Guangzhou, China
Telephone	020-81636688	020-81636688
Fax	020-81896411	020-81896411
E-mail	lizd@comec.cssc.net.cn	yuwb@comec.cssc.net.cn

III. CHANGES OF GENERAL INFORMATION

Registered address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou City, China
Postal code	510382
Office address of the Company	15th Floor, Ship Building, No.137 Gexin Road, Haizhu District, Guangzhou, China
Postal code	510250
Website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn
Index to searches of changes during the Reporting Period	For details, please refer to the Announcement on Change of Office Address of the Company issued by the Company on the SSE website (www.sse.com.cn), the Stock Exchange website (www.hkexnews.hk) and the company website (comec.cssc.net.cn) on 10 June 2019.

IV. 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 DATA AND FINANCIAL INDICATORS OF THE COMPANY

(i) Key accounting figures

Unit: RMB

Key accounting information	Reporting Period	Corresponding period of last year		Change (%)
	(From January to June)	After adjustment	Before adjustment	
Operating income	7,816,085,319.68	8,473,768,799.74	8,219,935,619.41	-7.76
Net profit attributable to shareholders of the Company	390,750,329.92	-361,945,458.99	-294,982,112.04	Not applicable
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-421,908,383.84	-484,093,600.23	-484,093,600.23	Not applicable
Net cash flows from operating activities	-3,200,477,314.96	-2,516,418,429.18	-2,523,805,949.33	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	10,125,809,826.58	9,727,437,689.21	9,727,437,689.21	4.10
Total assets	47,556,535,725.13	47,475,344,086.37	47,475,344,086.37	0.17

(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)	0.2764	-0.2561	-0.2087	Not applicable
Diluted earnings per share (RMB/share)	0.2764	-0.2561	-0.2087	Not applicable
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.2985	-0.3425	-0.3425	Not applicable
Weighted average return on equity (%)points	3.93	-3.19	-2.67	Increase of 7.12 percentage
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-4.25	-4.38	-4.38	Increase of 0.13 percentage points

Explanation on the major accounting data and financial indicators of the Company

At the end of 2018, the Company completed the acquisition of 100% equity interest of Wenchong Dockyard, which belongs to the business combination under the same control. When the Company prepared the consolidated financial statements, according to the accounting treatment principle of the business combination under the same control, retrospective adjustments were made to the Income Statement and the Cash Flow Statement for the corresponding period of last year.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. EXTRAORDINARY ITEMS AND THEIR AMOUNTS

Unit: RMB

Extraordinary items	Amount	Note (where applicable)
Gain or loss on disposal of non-current assets	-201,358.22	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature	48,182,634.25	
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	-	
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	9,700,821.37	
Provision for impairment on assets due to force majeure events, such as natural disasters	-	
Gain or loss on debt restructuring	-	
Corporate restructuring costs, such as employee redundancy pay and integration costs	-	
Gain or loss on transactions with obviously unfair transaction price for amount which exceeds fair value	-	
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control	-	
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, derivative financial assets, financial liabilities held-for-trading and derivative financial liabilities, and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are closely related to the Company's normal operation	56,656,571.28	
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment	-	
Gain or loss on entrusted loans	-	
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement	-	
Effect of one-off adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss	-	
Entrusted fee income from entrusted operations	-	
Other non-operating income and expenses apart from the aforesaid items	1,248,257,188.46	Net income of relocation compensation of RMB1.248 billion
Other gain or loss items meeting the definition of non-recurring gains or losses	-	
Effect of minority interests	-356,764,518.18	
Effect of income tax	-193,172,625.20	
Total	812,658,713.76	

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 and products

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 electro-mechanical equipment. During the Reporting Period, the Group's principal activities and products 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. The Company is mainly engaged in assembly and construction in the shipbuilding and offshore engineering industrial chain. It has extended to shipbuilding and offshore supporting products at the front end of the industrial chain and full life guarantee at the back end of the industrial chain. 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 RMB7.816 billion and operating orders of RMB8.772 billion, down by 7.76 % and 48.17% respectively compared with the corresponding period of last year. It was mainly affected by factors such as the downturn of shipping market, unsatisfactory orders and the relocation of the plant.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, the Group's core competitiveness covered four major areas, being product advantage, technological advantage, brand advantage and market advantage. There were no material changes in the core competitiveness compared to the end of 2018.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

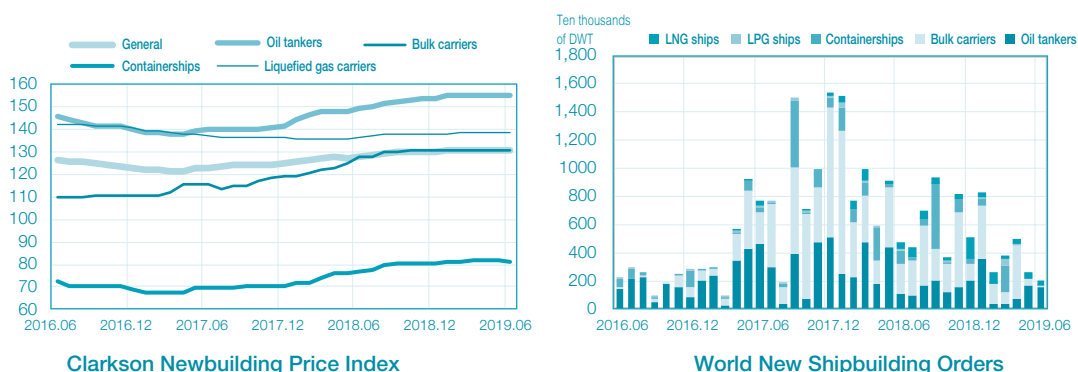
I. MANAGEMENT'S DISCUSSION AND ANALYSIS

Development of the shipbuilding market in the first half of 2019

New shipbuilding orders around the world continue to decrease. Affected by factors such as the expected downturn of the global economy and the increasing uncertainty of international trade development, shipowners' investment confidence has been frustrated. In the first half of 2019, the global new shipbuilding orders only amounted to 25.36 million DWT, representing a decrease of 52% compared with the corresponding period of last year. Among them, China, South Korea and Japan respectively took over 13.72 million DWT, 7.72 million DWT and 3.16 million DWT, down 25%, 61% and 78% respectively, with an international market share of 54%, 30% and 12% respectively.

The prices of new ships continued to rise steadily. On one hand, the prices of raw materials such as steel continued to rise successively, and at the same time, labor cost pressure is significant. On the other hand, the demand for new ships has tightened again, and the shipyard's awareness of grabbing orders has been strengthened. Against the above background, in the first half of 2019, the price of new ships rebounded weakly and showed some signs of loosening. As at the end of June 2019, the Clarkson Newbuilding Price Index rose to 131 points, stable since 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 RMB8,772 million, representing a decrease of 48.17% 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 RMB7,816 million, representing a decrease of 7.76% compared with the corresponding period of last year. Net profit attributable to the shareholders of the Company amounted to RMB391 million. Earnings per share were RMB0.2764, and earnings per share after deduction of non-recurring gains and losses were RMB-0.2985.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

(i) Main business analysis

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

Unit: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	7,816,085,319.68	8,473,768,799.74	-7.76
Operating costs	7,626,860,800.81	8,383,297,494.76	-9.02
Selling expenses	8,547,839.97	31,034,687.54	-72.46
Administrative expenses	374,142,028.48	392,266,908.95	-4.62
Finance cost	86,228,563.48	109,318,180.54	-21.12
Research and development expense	226,390,380.65	201,450,733.11	12.38
Net cash flows from operating activities	-3,200,477,314.96	-2,516,418,429.18	Not applicable
Net cash flows from investing activities	-1,369,802,592.40	-1,362,326,686.52	Not applicable
Net cash flows from financing activities	894,637,628.77	-256,254,227.59	Not applicable

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

Reason for change in operating costs: factors such as the decrease in the number of orders as a result of the sluggish shipbuilding market and the relocation and consolidation of the 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 employee remuneration.

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

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

Reason for change in net cash flow from operating activities: mainly due to the progress of collection during this period is lower than the progress of payment.

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: mainly due to the introduction of investors for the subsidiary of the Company.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Others

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

Unit: RMB

Item	Current period	Corresponding period of last year	Change (%)	Reason for change
Selling expenses	8,547,839.97	31,034,687.54	-72.46	Reversal of provision for warranty expenses during the period
Other income	5,517,547.40	8,439,920.30	-34.63	Decrease in government grants during this period
Investment income	-200,623,239.54	20,390,428.51	-1,083.91	Settlement loss of forward contracts during the period
Gain on change in fair value	264,450,151.28	-221,420,289.98	Not applicable	Changes in fair value such as handheld foreign exchange contracts from changes in exchange rates
Loss on impairment of credit	-8,451,275.85	-9,818,347.40	Not applicable	Increase in the provision on bad debts during the period
Gains from disposal of asset	-249,851.06		Not applicable	Loss of fixed assets disposal during the period
Non-operating income	1,253,089,251.01	564,305,723.58	122.06	Recognition of net income from compensation for relocation during the period
Non-operating expenses	1,625,913.57	57,469,748.98	-97.17	Settlement of arbitration in relation to a subsidiary of the Company in previous period
Income tax expense	93,984,992.93	-32,894,664.43	Not applicable	Increase in deferred income tax expenses
Gain or loss attributable to minority interests	218,874,532.94	-64,933,196.71	Not applicable	Introduction of new shareholders for subsidiaries in previous period
Net after tax for other comprehensive income	10,401,824.34	-2,300,574.80	Not applicable	Changes in fair value of investments in other equity instruments

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

On 26 April 2019, Wenchong Shipyard, a controlled subsidiary of the Company, and Wenchong Industrial signed the Wenchong Shipyard Phase I Relocation Agreement (for details, please refer to the announcements of the Company dated 26 April 2019 headed "Announcement of CSSC Offshore & Marine Engineering (Group) Company Limited on the Connected Transaction about the Signing of the Holding Subsidiary on Relocation Agreement of Wenchong Shipyard Phase I" on the SSE website (www.sse.com.cn) and "Connected and Discloseable Transaction in relation to the Relocation Agreement" on the Stock Exchange website (www.hkexnews.hk)), pursuant to the agreement, Wenchong Shipyard recognised income from compensation for relocation of RMB1,368 million during the Reporting Period, and net gain after deducting relocation expenses amounted to RMB1,248 million, which contributed revenue from non-principal business of RMB1,248 million to the Company during the Reporting Period.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

(iii) Analysis of assets and liabilities

1. Assets and liabilities

Unit: RMB

Name of project	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Change of amount at the end of current period compared with that of the end of last period (%)	Description
Cash at bank and on hand	7,033,700,046.08	14.79	10,337,887,158.50	21.78	-31.96	Under the impact that collection progress in this period is lower than the payment progress
Accounts receivable	3,514,084,587.92	7.39	2,562,295,160.42	5.40	37.15	More dues in the period
Other receivables	993,612,135.28	2.09	326,086,350.28	0.69	204.71	Impact of recognition of relocation compensation in the period
Other current assets	243,646,496.83	0.51	365,378,116.05	0.77	-33.32	Reduction in VAT tax retaining/credit
Right-of-use asset	176,233,075.65	0.37			Not applicable	Impact of implementing new lease standards
Construction in progress	1,010,238,554.59	2.12	762,567,676.87	1.61	32.48	Impact of increased investment in fixed assets
Other non-current assets	26,470,552.78	0.06	80,251,531.97	0.17	-67.02	Non-current prepayment reduction
Short-term borrowings	7,524,383,875.11	15.82	4,304,387,255.88	9.07	74.81	New borrowing
Financial liabilities held-for-trading	202,774,080.82	0.43	431,894,056.78	0.91	-53.05	Changes in fair value such as handheld foreign exchange contracts from changes in exchange rates
Notes payable	1,850,172,981.45	3.89	2,730,396,298.20	5.75	-32.24	Expired bill acceptance
Employee benefits payable	62,783,802.68	0.13	41,351,166.51	0.09	51.83	Impact of the current provision of remuneration
Taxes payable	75,307,785.25	0.16	48,140,024.18	0.10	56.43	Increase in corporate income tax in the current period
Non-current liabilities due within one year	1,489,900,000.00	3.13	4,414,000,000.00	9.30	-66.25	Repayment of borrowings
Lease liabilities	128,738,531.12	0.27			Not applicable	Impact of implementing new leasing criteria

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 RMB2,185,375,994.19 in total.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

(iv) Analysis of investments

1. General analysis of external equity investments

The Company is an investment holding company, and as at the end of the Reporting Period, the balance of external equity investments made by the Group amounted to RMB740,036,800, representing a decrease of 0.12% from RMB740,935,300 as at the beginning of the year.

(1) Material equity investments

GSI and Jiangxi Jingcheng Enterprise Holdings Management Co., Ltd. established a joint venture with registered capital of RMB10 million on 31 January 2019, Guangdong Guangli Human Resources Co., Ltd. (hereinafter referred to as "Guangdong Guangli"), and each holds 34% and 66% equity interests respectively. Through the establishment of Guangdong Guangli, it will deepen the reform of labor and employment, and gradually improve quality and efficiency.

(2) Financial assets measured at fair value

Unit: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the period
Financial assets held-for-trading	11,685,155.01	47,015,330.33	35,330,175.32	44,828,675.32
Financial liabilities held-for-trading	-431,894,056.78	-202,774,080.82	229,119,975.96	11,827,895.96
Investments in other equity instruments	63,403,225.93	71,478,588.58	8,075,362.65	12,500.00
Total	-356,805,675.84	-84,280,161.91	272,525,513.93	56,669,071.28

Description:

- 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) and foreign exchange options contracts. As at the end of the Reporting Period, the Group had a total of 159 outstanding forward settlement USD foreign exchange contracts with total amount of US\$1,035.5 million and latest settlement date of 20 June 2022, and recognised profit or loss on change in fair value of RMB-86,166,200 as at the end of the period; the Group had a total of 10 outstanding forward settlement EUR foreign exchange contracts with total amount of EUR151 million and latest settlement date of 29 June 2023, and recognised profit or loss on change in fair value of RMB17,048,100 as at the end of the period; the Group had a total of 108 outstanding options with total amount of US\$798 million and latest settlement date of 29 June 2021, and recognised profit or loss on change of fair value of RMB-86,640,700 as at the end of the period.
- As at the end of the Reporting Period, the book cost of investment in other equity instruments was RMB58,047,900, and their fair value was RMB71,478,600, which had an impact of RMB12,500 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 Reporting Period amounted to RMB56,669,100.

(v) Analysis of major subsidiaries and associates

1. Analysis of direct subsidiaries and associates

Unit: RMB0,000

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	1,992,631.75	678,161.06	-33,896.74
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	285,990	69.02	2,127,920.87	616,012.69	12,312.03
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	22,412.17	7,697.21	-290.26
CSSC Chengxi Yangzhou Shipbuilding Company Limited	Manufacturing of ships, ship equipment, metal structures and electric motors	130,284	49	149,642.41	130,776.65	53.55

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Indirect subsidiaries

Unit: RMB0,000

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 Wenchong Dockyard Co., Ltd.	Ship repair; metal shipbuilding; ship outfitting manufacture and installation; ship conversion and removal.	164,384	100	241,780.26	-5,385.50	-5,790.69
Guangdong GSI Elevator Co., Ltd.	Production and sale of elevators	11,000	100	11,736.43	6,331.09	-129.60
Zhongsan GSI Marine Engineering Company Limited	Designing, processing, installing, manufacturing and selling: ships and auxiliaries (fishing use excluded), metal structures and components, general machines, cast and forged components, fiberglass, marine cables, marine pipelines, marine tools, furniture, mechanical equipment, and marine engineering equipment, import and export of goods and technology.	70,000	100	84,225.77	40,300.64	-74.87
Guangzhou Guangji Shipbuilding Human Resources Service Company Limited	Providing labor services, as well as installation, welding, derusting, and painting of ships	500	100	4,040.03	29.26	-379.21
Guangzhou Hongfan Technology Co., Ltd.	Development of computer software, system integration, and hardware sales, etc.	500	51	4,831.68	3,962.12	210.59
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	44,066.54	11,860.50	142.99
Guangzhou United Steel Structures Limited	Large steel structures	US\$8.85 million	100	51,597.88	10,993.79	-1,494.37
Glory Group Development Limited	Trading	HK\$30 million	100	14,201.24	9,686.15	-61.22
Forkwang Development Limited	General trading	HK\$200,000	80	10,347.11	5,792.72	-231.18
Guangzhou Hongfan Hotel Co., Ltd.	Tourism and catering	11,940	100	14,149.48	12,194.00	51.45
Guangzhou Longxue Pipe Co., Ltd.	Ferrous metal smelting and rolling industry	7,000	42.86	13,370.23	5,712.21	9.93
CSSC Industrial Internet Co., Ltd.	Information transmission, software and information technology services	5,000	100	1,713.25	969.75	-7.82
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.	142,018	100	556,857.61	241,018.51	92,388.96
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	83,700.04	-9,496.73	-3,834.32
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	11,000	100	76,135.72	11,128.00	139.02
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	40.5	508.07	434.59	45.52
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	1,061.95	405.25	23.48

SECTION IV MANAGEMENT'S 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 Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	621.19	544.69	11.35
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	1,320.72	349.38	39.73
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	94.20	47.54	-79.53
Wah Loong International Marine Limited	Ship leasing	HK\$1,000,000	99	47,899.43	1,999.79	1,038.26
Wah Shun International Marine Limited	Ship leasing	HK\$1,000,000	99	17,191.81	-51.04	-190.05

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

Unit: RMB

Name of entity	Income from principal business	Profit from principal business	Net profit
Guangzhou Shipyard International Company Limited	2,703,713,225.46	-56,043,982.29	-338,967,380.55
Guangzhou Wenchong Dockyard Co., Ltd.	267,248,782.59	31,456,842.60	-57,906,889.17
CSSC Huangpu Wenchong Shipbuilding Company Limited	3,901,003,141.44	249,148,324.63	123,120,281.67
Guangzhou Wenchong Shipyard Co., Ltd.	1,133,536,294.99	-112,503,581.52	923,889,633.16

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

Name of entity	Current period	Net profit of corresponding period of last year	Change (%)
Guangzhou Shipyard International Company Limited	-338,967,380.55	16,676,805.63	-2,132.57
Guangzhou Wenchong Dockyard Co., Ltd.	-57,906,889.17	-86,819,552.39	Not applicable
CSSC Huangpu Wenchong Shipbuilding Company Limited	123,120,281.67	-307,987,531.63	Not applicable
Guangzhou Wenchong Shipyard Co., Ltd.	923,889,633.16	-4,323,591.29	Not applicable

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

II. OTHER DISCLOSURE

(i) Potential risks

1. Financial risks

- (1) Exchange rate risk: The Group's exchange rate risk arises from the possibility of the increase or decrease in the value of assets (or creditor's rights) and liabilities (or debts) denominated in foreign currencies due to exchange rate fluctuations. It is mainly concentrated on export shipbuilding orders denominated in United States dollars. The Group will continue to adhere to risk prevention. Based on the exchange rates at the time of the undertaking of orders by it, the Group will strengthen the analysis of exchange rate trend and formulate exchange rate risk prevention plans.
- (2) Interest rate risk: The Group's interest rate risk is generated by bank borrowings and 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. The Group carefully considers the changes in domestic and overseas market and economic environment and national monetary policies and formulates and timely adjusts effective interest rate risk management plans in light of its own production status.

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

2. Customer risk

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

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

3. Cost risk

In view of the development of the shipbuilding and shipping market, the Group continued to optimise its product mix. With the increase in the percentage of high-tech products of the Group such as ro-ro passenger ships and the increase in the number of first-made ship models, the Group has a growing demand for advanced technicians and skilled workers, which may cause the cost of the Company to rise. As a result of the trade frictions between China and the United States, the increase in tariffs will increase the cost burden of the Group's products exported to the United States. In addition, the Group's cost is subject to the prices of raw materials due to its production on an order basis, and the Company is subject to cost risk.

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

SECTION V SIGNIFICANT EVENTS

I. INFORMATION ON GENERAL MEETINGS

No. of session	Date of meeting	Index for search on websites designated for publishing resolutions	Date of disclosure
Annual general meeting of 2018	28 May 2019	www.see.com.cn www.hkexnews.hk comec.cssc.net.cn	29 May 2019

Description of general meetings

Annual general meeting of 2018: at the meeting, the report of the Board for 2018, the report of the Supervisory Committee for 2018, the annual report for 2018 (including the financial statements for 2018), the profit distribution proposal for 2018 and the resolution on the proposed provision of guarantee by the Company and its subsidiaries for 2019 and the amount; the resolution of connected transaction about the signing of the holding subsidiary on Relocation Agreement of Wenchong Shipyard Phase I; the resolution in relation to the appointment of the auditors of the Company for financial reports for 2019; the resolution in relation to the appointment of the supervisors of the Company were considered; and the duty performance report of Independent Directors for 2018 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	<ol style="list-style-type: none"> CSSC will, within 5 years upon the completion of the 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. CSSC will not, and will prevent and avoid that CSSC controlled enterprises (excluding COMEC and the subsidiaries under its control). 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. 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

SECTION V SIGNIFICANT EVENTS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner
Undertaking relating to the material asset reorganisation	Solving the defects on titles to lands	CSSC	<p>Arrangements for supporting the relocation and upgrading of Huangpu Wenchong and Wenchong Shipyard. Pursuant to overall planning of Guangzhou Municipal Government, a land parcel of Huangpu Wenchong at Changzhou Street ("Changzhou Plant") and a land parcel located at Wenchong Plant owned by Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard"), a subsidiary of Huangpu Wenchong, are no longer suitable for industrial use in shipbuilding in accordance with the planning for the regions in which they are located, and will be recovered 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	<p>1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation;</p> <p>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;</p> <p>3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, the Company will make full supplements in cash within 90 days after relevant government compensation is in place.</p>	Made on 3 March 2015	No	Yes
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

Description of appointment and dismissal of accounting firms

Since ShineWing has provided audit services for the Company for 8 consecutive years, after communication with ShineWing, in order to ensure the independence of the Company's audit, and considering the Company's actual situation, the Company will not retain ShineWing as the Company's 2019 annual financial report auditor and internal control auditor, until the date of the 2018 annual general meeting.

- (1) It was considered and passed at the annual general meeting of 2018 of the Company that, WUYIGE was appointed as the Company's 2019 financial report auditor. The audit charge is RMB1.56 million (inclusive of tax). The financial statements in the Company's annual report 2019 were prepared according to the Accounting Standards for Business Enterprises of the PRC, and audited by WUYIGE. WUYIGE will retire upon expiry of term and offer themselves for re-appointment.
- (2) It was considered and passed at the 15th meeting of the ninth session of the Board that the Company appointed WUYIGE as the Company's internal control auditor for 2019. The audit charge is RMB340,000 (inclusive of tax). WUYIGE will audit the effectiveness of the Company's internal control and issue an audit report.

V. MATERIAL LITIGATIONS AND ARBITRATIONS

(i) Other explanations

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 Shipbuilding Company Limited (“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 claimed against Jiangsu Shenghua in relation to a dispute over technical service contract, and the case that Guangli claimed against Jiangsu Shenghua for 79,600 ton bulk carriers 1# and 2# installment work contract disputes, 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. Land, properties, machinery and other related assets were sold at RMB77.65 million. The 3rd meeting of debtors for liquidation is expected to be held within 2019.

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 2019 (from January to June)

RMB0,000

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	503,837.00	40,794.85	5.24	Market price
Supply of utilities	8,301.00	73.23	15.95	Cost plus a 20-25% management fee or on terms no less favourable to the Group than terms available from independent third parties
Leasing, labour supply and technical services	20,006.00	419.10	12.60	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	1,451,651.00	273,701.91	45.15	Market price or on terms no less favourable to the Group than terms available from independent third parties
Leasing, labour supply and technical services	100,458.00	14,026.34	8.97	On terms no less favourable to the Group than terms available from independent third parties or market price

SECTION V SIGNIFICANT EVENTS

RMB0,000

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
Financial services provided by the CSSC Group				
Deposits (amount)	780,000.00	335,749.29	47.73	Appropriate rise of benchmark deposit interest rate set by the People's Bank of China
Interest on deposits	17,550.00	3,327.95	25.93	
Loans (amount)	1,060,000.00	255,614.10	18.61	No more than benchmark loan interest rate set by the People's Bank of China
Interest on loans	51,940.00	10,123.69	51.73	
Others and bank facilities (credit)	900,000.00	228,952.66	7.42	On terms no less favourable to the Group than terms available from independent third parties
Others and bank facilities (handling fee)	1,420.00	86.87	9.30	On terms no less favourable to the Group than terms available from independent third parties
Forward exchange settlement (amount)	850,000.00	255,704.42	30.81	On terms no less favourable to the Group than terms available from independent third parties
Entrusted assets management services (amount)	600,000.00	40,000.00	100.00	On terms no less favourable to the Group than terms available from independent third parties
Entrusted assets management services (interest)	30,000.00	1,322.61	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	-	-		On terms no less favourable to the Group than terms available from independent third parties
Maximum guarantee amount provided by the CSSC Group and its members for the Company	800,000.00	-	-	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	4,800.00	-	-	
Ship sales agency services provided by the CSSC				
Ship sales agency	14,046.00	1,709.88	32.01	Follow the worldwide industry practice and will not exceed 0.25-1.5% 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				
Materials purchase agency	1,610.00	388.15	100.00	1-2% of the contract price

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

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

On 4 April 2019, the 13th meeting of the 9th session of the Board of Directors of the Company reviewed and approved the "Proposal on Major Adjustment of Structure of the Material Asset Restructuring Plan of the Company" and its related proposals. According to the strategic layout of CSSC and the changes in market-based debt-to-equity swaps, it was proposed to adjust the Company's material asset restructuring plan. The adjusted plan did not involve the issuance of shares to purchase assets, the transaction method was changed to asset swap, and the Company's main business would change, all which were expected to constitute a material asset swap. The material asset restructuring plan was intended to be adjusted as follows: the Company intended to carry out asset swaps with CSSC. The Company intended to swap in 100% equity interest of Eastern Shanghai Heavy Machinery Co., Ltd., 100% equity interest of CSSC Marine Power Co. Ltd., 51% equity interest of CSSC Marine Power Institute Co., Ltd. and 15% equity interest of Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd. held by CSSC., and swap out part of the equity interest of Huangpu Wenchong and GSI held by the Company that are equivalent in value to the above-mentioned swap-in assets. For details, please refer to the "Resolutions of the 13th Meeting of the 9th session of the Board of Directors of CSSC Offshore" issued on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net) on 4 April 2019.

On 7 August 2019, the 16th meeting of the 9th session of the Board of the Company reviewed and approved the "Proposal on Major Adjustment of Structure of the Material Asset Restructuring Plan (the Plan) of the Company" and related proposals. CSSC and China Shipbuilding Industry Corporation have drawn up strategic restructuring, and at the same time there is horizontal competition between the Company, CSSC and CSSC Holdings. Considering the fact that overcapacity in the civilian product ship market is difficult to substantially improve in the short term, so in order to improve the Company's financial position, improve profitability, smoothly promote market-oriented debt-to-equity swap project and resolve horizontal competition, the Company intends to adjust the material assets restructuring plan reviewed and disclosed at the 13th meeting of the 9th session of the Board of Directors. The adjusted plan does not involve the issuance of shares to purchase assets and asset swap, and the transaction method is changed to assets sale. The specific content is as follows: the Company sells 27.4214% of the equity interest of GSI to CSSC Holdings, which will pay the transaction consideration by way of non-public issuance of A shares to the Company, and at the same time, the Company waives the pre-emptive rights of first refusal to acquire the 23.5786% equity interest in GSI and the 30.9836% equity interest in Huangpu Wenchong held and intended to transfer by market-oriented debt-to-equity investors of GSI and Huangpu Wenchong. Upon completion of the transaction, the Company is expected to acquire a approximately 5.28% equity interest in CSSC Holdings. Upon completion of the above, the Company will hold a 49% equity interest in GSI, and will no longer have a consolidated statement on it; and the Company will hold a 69.0164% equity interest in Huangpu Wenchong, which will remain a holding subsidiary within the scope of the Company's consolidated statements. For details, please refer to the "Resolutions of the 16th Meeting of the 9th session of the Board of Directors of CSSC Offshore" issued on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net) on 7 August 2019.

On 16 September 2019, the 19th meeting of the 9th session of the Board of the Company reviewed and approved the "Proposal on the Increase of Registered Capital and Equity Structure Adjustment (Related Transactions) of the Subsidiary GSI", the "Proposal on the Increase of Registered Capital and Equity Structure Adjustment (Related Transactions) of the Subsidiary Huangpu Wenchong", the "Proposal on the Adjustment of the Consideration of the Company's Major Asset Sale Transaction" and related proposals. GSI and Huangpu Wenchong, subsidiaries of the Company, intend to transfer the state-owned exclusive capital reserve formed by the state-owned funds into registered capital and correspondingly adjust the shareholding structure; meanwhile, according to the assessment results filed with the State-owned Assets Supervision and Administration Commission of the State Council, the transaction price of the Company's sale of 27.4214% of the shares of GSI to China Shipbuilding was adjusted to RMB2,857,883,200. Upon completion of the above matters, the Company expects to acquire approximately 5.15% of the shares of China Shipbuilding; the Company will hold 46.3018% stake of GSI, and will no longer consolidate its statement; it will hold a 54.5371% stake of Huangpu Wenchong, which will be still a holding subsidiary within the scope of the consolidated statement of the Company. The relevant proposals on the above matters still need to be submitted to the 1st extraordinary shareholders meeting in 2019 for consideration. For details, please refer to the "Resolutions of the 16th Meeting of the 9th session of the Board of Directors of CSSC Offshore" issued on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net) on 16 September 2019.

(iii) Related creditor's right and debt transactions

Details of the related creditor's right and debt transactions of the Company for the Reporting Period are set out in the notes to the financial statements.

SECTION V SIGNIFICANT EVENTS

VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Entrustment, contracting and leasing matters

1. Leasing

Unit: RMB

Name of lessor	Name of lessee	Assets leased	Amount of assets leased	Date of commencement of lease	Date on which the lease will be terminated	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether related transaction	Relationship
Guangzhou Ship Industrial Company Limited	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 Wenchong Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	-	2018.11.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group

Description of leases:

Guangzhou Ship Industrial Co., Ltd. and Huangpu Wenchong 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 to Huangpu Wenchong for its operational use. 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 is completed and production commences at the new plant.

Wenchong Industrial and Wenchong Shipyard entered into a lease agreement in relation to land use right, and leased part of the land use rights of the Wenchong Plant owned by it to Wenchong Shipyard for 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 November 2018 and will end on the date on which the relocation of Wenchong Shipyard is completed and production commences at the new plant.

SECTION V SIGNIFICANT EVENTS

(ii) Guarantee

Unit: RMB

Guarantor	Relationship between guarantor and the Company	Guaranteed entity	Amount of guarantee	Date of guarantee (date of signing of agreement)	Guarantees		Type of guarantee	Whether fully executed	Whether guarantee is overdue	Overdue amount	Existence of counter guarantee	Whether provided for related party	Relationship
					Date of commencement	Date of expiry							
External guarantees by the Company (excluding guarantees for its subsidiaries)													
Total amount of guarantees during the Reporting Period (excluding guarantees provided for its subsidiaries)													
													-
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)													
													-
Guarantees provided by the Company for its subsidiaries													
Total amount of guarantees provided for its subsidiaries during the Reporting Period													
													520,000,000.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period (B)													
													820,000,000.00
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)													
Total amount of guarantees (A+B)													
													820,000,000.00
Total amount of guarantees as a percentage of the Company's net assets (%)													
													5.41
Including:													
Amount of guarantees provided for shareholders, actual controllers and related parties (C)													
													-
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)													
													120,000,000.00
Total amount of guarantees in excess of 50% of net assets (E)													
													-
Sum of the above three guarantees (C+D+E)													
													120,000,000.00
Description of outstanding guarantees which may incur several and joint liability													
													Not applicable
Note on guarantees													
During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB820 million, all of which are guarantees provided by Huangpu Wenchong, a subsidiary controlled by the Company, to a wholly-owned subsidiary thereof. The guarantee items are comprehensive credit guarantee and working capital loan guarantee, etc. The cap set out in the framework for the proposed guarantees between the Company and its subsidiaries for the year 2019 and their amounts has not been exceeded.													

SECTION V SIGNIFICANT EVENTS

VIII. POVERTY ALLEVIATION MEASURES OF THE COMPANY

(i) Targeted poverty alleviation plan

In order to implement the strategic arrangements of the central government for targeted poverty alleviation, and under the leadership of governments and management at all levels and higher levels, the Group actively carried out targeted poverty alleviation to improve the self-development ability of recipients of aid and get out of poverty as soon as practicable.

In 2019, the Group plans to provide RMB200,000 of assistance funds to He'an Village, He'an Town, Xuwen County in the 2nd half of the year, for the purpose of targeted poverty alleviation. It plans to purchase Heqing agricultural products from Heqing in batches with amount of RMB3.32 million.

(ii) Overview of targeted poverty alleviation during the Reporting Period

During the Reporting Period, the Group has selected two cadres to participate in the implementation of targeted poverty alleviation in He'an Village, He'an Town, Xuwen County.

(iii) Results of Targeted Poverty Alleviation

Unit: RMB0,000

Indicator	Number and relevant information
I. General information	
Including: 1. Fund	0
2. Materials	0
3. Number of records established for poor people (person)	133
II. Investment by project	
1. Other projects	
Including: 1.1. Q'ty of projects	1
1.2. Invested amounts	0
1.3. Number of records established for poor people (person)	133

(iv) Staged progress in fulfilling the social responsibility of targeted poverty alleviation

The Group has communicated with the specific poverty alleviation units to further implement the targeted poverty alleviation measures in the 2nd half of the year. During the Reporting Period, two cadres were selected to participate in the implementation of targeted poverty alleviation in He'an Village, He'an Town, Xuwen County.

(v) Subsequent targeted poverty alleviation plan

The Group will deploy and arrange poverty alleviation work. In the 2nd half of the year, the Group plans to provide RMB200,000 of support funds for He'an Village, He'an Town, Xuwen County, and to carry out the purchase of agricultural products in Heqing County in the fourth quarter. The support funds are estimated to be RMB3.32 million. At the same time, we will accomplish the job in poverty alleviation, education assistance, labor training, counterpart help and other support for the agriculture and forestry industry.

IX. ENVIRONMENTAL INFORMATION

(i) **Description of the environment protection of the Company and its major subsidiaries falling to be the key waste water emission entities as 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 2019 (Sui Huan [2019] No. 45) issued by Guangzhou Environmental Protection Bureau in March 2019, five members of the Group, namely GSI, Huangpu Wenchong, Longxue Pipe, Wenchong Shipyard and Huangchuan Ocean Engineering, were included as key pollution discharge entities in Guangzhou for 2019. According to a circular (Sui Nan Huan Shui [2017] No. 75) issued on 29 March 2017, Wenchong Dockyard was included as a key pollution discharge entity in Nansha District.

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, there existed no waste gas emissions of GSI that exceeded 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 224,175 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, non-recyclable solid waste is disposed of by the environmental protection companies and transported to a qualified landfill for disposal, and domestic garbage shall be collected and disposed of by the local environmental sanitation authorities. Qualified entities with hazardous waste business license are appointed to treat hazardous waste. During the Reporting Period, GSI disposed of a total of 14,520 tonnes of general solid waste and a total of 418.92 tonnes tons of hazardous 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 includes 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, there existed no waste gas emissions of Longxue Pipe that exceeded the standard.

2) Waste water

The waste water generated by Longxue Pipe includes acid and alkali flushing waste water, etc. During the Reporting Period, Longxue Pipe discharged a total of 6,553 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, there existed no waste water emissions of Longxue Pipe that exceeded the standard.

3) Solid waste (including hazardous waste)

The solid waste generated by Longxue Pipe includes 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 516.74 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 water, waste gas, solid waste and noise.

1) Waste gas

The waste gas generated by Huangpu Wenchong mainly represents dust waste gas and volatile organic waste gas during the production process. 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, there existed no waste gas emissions of Huangpu Wenchong that exceeded 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 328,396 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. During the Reporting Period, there existed no waste water emissions of Huangpu Wenchong that exceeded the standard.

SECTION V SIGNIFICANT EVENTS

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, while Zhaoqing Xin Rong Chang Environmental Protection Co., Ltd., Guangdong Xinsheng Environmental Technology Co., Ltd. and Miluo Wanrong Solid Waste Processing Co., Ltd., which are qualified, are appointed to dispose of hazardous waste. During the Reporting Period, 990 tonnes of solid waste (industrial refuse) and 204.47 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 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 125,290 tonnes of waste water.

3) Solid waste (including hazardous waste)

The solid waste generated by Wenchong Shipyard includes 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 2,548 tonnes of general industrial waste and 639.48 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, there existed no waste gas emissions of Huangchuan Ocean Engineering that exceeded 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 137,317 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 been exceeded.

3) Solid waste (including hazardous waste)

The solid waste generated by Huangchuan Ocean Engineering includes 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 2,328.14 tonnes of industrial refuse and 141.62 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, and no standard had been exceeded.

SECTION V SIGNIFICANT EVENTS

(6) *Wenchong Dockyard*

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

1) Waste gas

The waste gas generated by Wenchong Dockyard mainly represents dust and organic waste gas. Electromechanical organic waste gas comes from the production process of dipping paint and baking paint and is discharged through a 15-metre exhaust funnel; acid mist exhaust comes from the side suction hood alongside the acid tank of chemical cleaning yard of electromechanical general workshop, and waste gas is pumped to a KTXD-20K fiberglass purification tower by a fan for purification treatment and then discharged through a 15-metre exhaust funnel. 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 Wenchong Dockyard had exceeded the standard.

2) Waste water

The waste water generated by Wenchong Dockyard includes production waste water and domestic sewage. The production waste water mainly comes from docks, ship maintenance wharves, hatch cover repair yard, electromechanical general workshop, pipe processing workshop and air compressor station. The domestic sewage is from the sewage generated at the production area and the office area. During the Reporting Period, Wenchong Dockyard discharged a total of 33,501 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 been exceeded.

3) Solid waste (including hazardous waste)

The solid waste generated by Wenchong Dockyard mainly includes: waste steel, waste copper ore, waste welding materials, waste mineral oil, oily wastewater, waste acid and wastewater treatment sludge, paint residue and industrial refuse. Qualified entities are appointed to recover various wastes for comprehensive utilisation or disposal. A general industrial solid waste dump and a hazardous waste temporary storage are set up in the plant area. During the Reporting Period, Wenchong Dockyard disposed of 45,285 tonnes of solid waste and 1,520 tonnes of hazardous waste.

4) Noise

The noise generated by Wenchong Dockyard mainly comes from production processes such as sandblasting derusting, steel plate correction, plasma cutting and electric welding and fixed equipment such as air compressor, fan, water pump and transformer. The sources of noise are mainly located at docks, ship maintenance wharves/hatch cover repair yard, hull workshop, pipe workshop, water supply pump room, sewage lift pump room, air compressor station and substation, etc. By optimising plant layout, giving priority to adopting low noise equipment and setting up dedicated machine rooms equipped with sound insulation/silencing/vibration reduction measures, the impact of noise on the external environment was mitigated.

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 zinc oxide dust discharged, activated carbon adsorption purification devices for organic waste gas, and acid mist towers and washing towers for acid mist waste gas, sewage treatment station for waste water, and established separate machine rooms and adopted noise reduction and other measures for high noise equipment. 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.

SECTION V SIGNIFICANT EVENTS

(3) *Huangpu Wenchong*

Huangpu Wenchong has established a sewage water treatment station to treat the dirty oil in the ship's clearing. The industrial waste gas treatment system was installed in the steel plate pretreatment line and painting room, and the above equipment and facilities were operating normally.

Huangpu Wenchong has established 5 sets of cyclone + filter cartridge dust collectors for the 2-metre and 3-metre steel plate pre-treatment 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 pre-treatment 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 pre-treatment 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 pre-treatment 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, etc.

(6) *Wenchong Dockyard*

Wenchong Dockyard has 6 sets of sewage treatment systems. Oily wastewater is treated at the oily wastewater treatment station and then discharged into the sewage treatment station in the dock area for further treatment. Chemical cleaning wastewater is treated at the chemical cleaning wastewater treatment station and then discharged into the sewage treatment station in the wharf area for further treatment. General production waste water and domestic sewage are delivered to the sewage treatment station in the dock area and the sewage treatment station in the wharf area. Slurry water generated by high pressure water cleaning operation undergoes flocculation and sedimentation treatment. Welding flue gas at hull workshop is treated by mobile welding flue gas purifier. Welding flue gas at pipe workshop is filtered by a welding flue gas treatment system. Organic waste gas generated by immersion and drying at the electromechanical general workshop is purified by an activated carbon absorption device. Acid mist waste gas generated by chemical cleaning is purified by a fiberglass acid mist purification tower. The above environmental treatment equipment is in good condition and operates effectively.

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. In 2019, the environmental protection completion acceptance of the 1# sectional welding workshop expansion project was completed.

(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 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.

(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 owns environmental protection administrative licenses including the Pollutant Discharge Permit of Guangdong Province, the Drainage permit and the Radiation Safety License. In 2018, the Company conducted the construction project environmental impact assessment and completed the preparation of environmental impact report for painting workshop E/F and the temporary storage site for hazardous wastes, which completed the inspection and acceptance and was put it into normal operation in May 2019. 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 is completed in April 2019. 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. Huangchuan Ocean Engineering has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

(6) *Wenchong Dockyard*

Wenchong Dockyard received the phase 1 and phase 2 environmental impact assessment approvals (Huan Shen [2006] No. 681 and Huan Shen [2007] No. 526) in 2006 and 2007, respectively. In June 2011, China National Environmental Monitoring Centre prepared the Monitoring Report on Completion Acceptance for Environmental Protection of the Ship Maintenance Project of Longxue Shipbuilding Facility of CSSC, and the Ministry of Environmental Protection issued an approval (Huan Yan [2010] No. 208). The Environmental Protection Bureau of Nansha District also issued approvals for the environmental impact assessment of construction of a new special pipe workshop and the extension of 2# dock (Sui Nan Kai Huan Guan Ying [2015] No. 143 and Sui Nan Qu Huan Shui Guan Ying [2017] No. 231). Wenchong Dockyard has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

SECTION V SIGNIFICANT EVENTS

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 has been 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*

In October 2018, Wenchong Shipyard launched the second round of environmental emergency plan and risk assessment. The work experienced site survey, data collection, pre-planning, report preparation, expert review, on-site rectification and other stages, and in January 2019, it successfully completed the filing of Huangpu Environmental Protection Bureau. The results of the work were mainly presented as Emergency Plan for Sudden Environmental Events, the Risk Assessment Report for Sudden Environmental Events and the Company Emergency Resources Investigation Report. At the beginning of the year, the Company formulated and released the drill plan of annual safety environment emergency plan, and each department completed the task according to the schedule.

(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 later 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) *Wenchong Dockyard*

The Emergency Plan for Sudden Environmental Events and the Risk Assessment Report for Sudden Environmental Events developed by Wenchong Dockyard passed expert review and was filed with the Environmental Protection and Water Affairs Bureau of Nansha District in August 2017. No environmental pollution incidents had occurred in 2018. An emergency drill for sudden environmental events was organised once a year.

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

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. NOTES ON OTHER SIGNIFICANT EVENTS

(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*

On 7 December 2018, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 21 – Leases (hereinafter referred to as “New Lease Standards”), requiring companies listed at the same time both domestically and overseas, and listed overseas and adopting IFRS or Accounting Standards for Business Enterprises to prepare financial statements, to implement the New Lease Standards since 1 January 2019.

The Group implemented the New Lease Standards from 1 January 2019, and adjusted the relevant accounting policies.

(2) *Principal impacts of changes*

The New Lease Standards replaces the Accounting Standards for Business Enterprises No. 21 – Leases, issued in the Notice of the Ministry of Finance on Releasing 38 Specific Standards including <Accounting Standards for Business Enterprises No. 1 – Inventories>(CaiKuai [2006] No. 3) promulgated by the Ministry of Finance on 15 February 2006(collectively referred to as the Original Lease Standards).

Under the Original Lease Standards, the lessee needs to distinguish between operating leases and financial leases, and only requires accounting for financial leases. The accounting treatment in the case of option revaluation or contract change after the start date of the lease period is not regulated. If the lessor has an operating lease, it only requires the lessor to disclose the carrying value of each type of leased asset.

Under the New Lease Standards, the lessee no longer divides the lease into an operating lease or a finance lease, but adopts a uniform accounting treatment model to identify right-of-use assets and lease liabilities for all leases other than short-term leases and low-value asset leases, and depreciation and interest expenses are provided respectively. The New Lease Standards clearly stipulate that when a major event or change within the controllable scope of the lessee occurs, and which will impact that whether the lessee is reasonably certain that the option will be exercised, then the lessee should determine whether it will reasonably exercise the option to renew the lease, purchase option or not exercise the lease termination option to re-evaluate. The lessor needs to disclose information such as the relevant rental income and the undiscounted lease receipts.

The Group analyzed the classification and other changes of the lessee’s operating leases and finance leases, so as to assess the impact of the New Lease Standards on the financial statements. According to the New Lease Standards, the right-of-use assets and lease liabilities were recognized on 1 January 2019 respectively, but it hadn’t impact on the owner’s equity as at 1 January 2019.

The impacts on the relevant items in the consolidated financial statements are as follows:

Item	31 December 2018	1 January 2019	After adjustment
Total assets	47,475,344,086.37	47,674,684,587.19	199,340,500.82
Including: Right-of-use assets		199,340,500.82	199,340,500.82
Total liabilities	33,118,933,538.30	33,318,274,039.12	199,340,500.82
Including: Lease liabilities		152,171,100.46	152,171,100.46
Other current liabilities	182,190,818.20	229,360,218.56	47,169,400.36
Total owners’ equity	14,356,410,548.07	14,356,410,548.07	

The implementation of the New Lease Standards by the Group has no impact on the items of statements of the Parent Company.

SECTION V SIGNIFICANT EVENTS

XI. 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 and complete disclosure of corporate information. Specialized committees of the Board carried out works in accordance with their respective duties, and independent non-executive Directors played an important role in the work of Board.

(i) Corporate Governance

The Company keeps 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 2019, the Company has applied the codes set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has complied with all the code provisions, except that for the purpose of Code Provision A.6.7 of the CG Code, Mr. Chen Zhongqian, Mr Xiang Huiming and Mr. Chen Ji, being executive Directors, Mr. Shi Jun, being non-executive Directors, and Mr. Liu Renhui, being independent non-executive Directors, were unable to attend the annual general meeting of 2018 of the Company held on 28 May 2019 for work reason.

(ii) Securities Transactions by Directors

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

(iii) Meetings of the Board

Up to the date of this report, a total of 8 meetings (including 6 meetings held in writing) were held by the Board. All Directors attended these meetings (including attendance by proxy). In addition, the Audit Committee held 7 meetings to consider issues including the annual report of the Company for the year 2018, the report on the internal control review, the first quarterly report for the year 2019 and major asset sales, etc.; the Emolument and Examination Committee held 1 meeting to consider the resolutions on the remuneration of the Directors, Supervisors and senior management of the Company for the year 2018; the Strategy Committee held 1 meeting, on which the Company made a report on its development strategy and capital operation. 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.

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

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

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(i) Statement of changes in shares

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

II. SHAREHOLDERS

(i) Total number of shareholders:

Total number of ordinary shareholders at the end of the Reporting Period 77,908

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

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

Unit: Share

Name of shareholder (full name)	Change during the Reporting Period	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	-1,278	589,109,449	41.68	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	28,189,403	1.99	0	None	0	State-owned legal person
Central Huijin Asset Management Ltd.	0	15,126,100	1.07	0	None	0	State-owned legal person
China Construction Bank Corporation- Fullgoal China Securities Military Index Grading Securities Investment Fund	157,000	7,346,758	0.52	0	None	0	Others
Xie Chuanrong	0	7,022,413	0.50	0	None	0	Domestic natural person
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	5,164,479	0.37	0	None	0	Others
Wu Zhizhuan	-4,777,864	4,335,244	0.31	0	None	0	Domestic natural person

Top ten shareholders of shares not subject to selling restrictions

Name of shareholder	Name of shareholder held not subject to selling restrictions	Class	Number
HKSCC Nominees Limited	589,109,449	Overseas listed foreign shares	589,109,449
China State Shipbuilding Corporation Limited	501,745,100	Ordinary shares denominated in RMB	501,745,100
China Securities Finance Corporation Limited	28,189,403	Ordinary shares denominated in RMB	28,189,403
Central Huijin Asset Management Ltd.	15,126,100	Ordinary shares denominated in RMB	15,126,100
China Construction Bank Corporation- Fullgoal China Securities Military Index Grading Securities Investment Fund	7,346,758	Ordinary shares denominated in RMB	7,346,758
Xie Chuanrong	7,022,413	Ordinary shares denominated in RMB	7,022,413
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	5,164,479	Ordinary shares denominated in RMB	5,164,479
Wu Zhizhuan	4,335,244	Ordinary shares denominated in RMB	4,335,244

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 –

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

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

As at 30 June 2019, 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 Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") or are required to be entered in the register to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of long positions held (share)	Capacity	Approximate shareholding percentage of issued H Shares (%)	Approximate shareholding percentage of issued A Shares (%)	Percentage of total issued share capital (%)
China State Shipbuilding Corporation Limited	A Shares	501,745,100(L)	Beneficial owner	–	61.08	35.50
CSSC International Holding 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 Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 30 June 2019.

SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
Chen Shu	Supervisor	Elected
Zhu Zhengfu	Supervisor	Resigned
Wu Guangjun	Chairman of the Supervisory Committee	Resigned

Explanation for changes in Directors, Supervisors and Senior Management

On 28 May 2019, the Company held the 2018 annual general meeting to elect Ms. Chen Shu as a member of the ninth Supervisory Committee of the Company. On 24 April 2019, the Supervisory Committee of the Company received the written resignation report of Mr. Zhu Zhengfu, the Company's supervisor, and resigned as the supervisor of the 9th Supervisory Committee of the Company.

On 19 July 2019, the Company convened the 14th meeting of the ninth Supervisory Committee and passed the Resolution on Additional Candidates for Supervisors of the Ninth Supervisory Committee, agreeing to add Mr. Jin Xuejian as the candidate for the supervisor of the 9th Supervisory Committee. The resolution should be submitted to the shareholders meeting for consideration. On 19 July 2019, the Supervisory Committee of the Company received the written resignation report of Mr. Wu Guangjun, the Company's supervisor, and resigned as the supervisor of the 9th Supervisory Committee and the chairman of the Supervisory Committee.

II. OTHER EXPLANATIONS

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

As at 30 June 2019, 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 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.

(ii) Employees and remuneration policies

The remuneration of the employees of the Group includes salaries, bonuses and other fringe benefits prescribed by the government. 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 2019, the Group had a total of 15,362 employees. For the period ended 30 June 2019, the remuneration paid by the Group to employees was RMB1.058 billion in aggregate.

SECTION VIII FINANCIAL REPORT

Consolidated Balance Sheet 30 June 2019

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

Unit: RMB

Item	Notes	30 June 2019	31 December 2018
Current assets:			
Cash at bank and on hand		7,033,700,046.08	10,337,887,158.50
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading		47,015,330.33	11,685,155.01
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		102,780,137.27	130,810,712.06
Accounts receivable		3,514,084,587.92	2,562,295,160.42
Receivable financing			
Prepayments		3,632,961,295.56	3,020,857,780.23
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables		993,612,135.28	326,086,350.28
Including: Interest receivable		28,584,999.26	46,907,817.53
Dividends receivable		185,273.02	
Financial assets purchased under agreements to resell			
Inventories		5,531,246,793.46	4,955,993,857.79
Contract assets		7,516,302,519.33	6,860,770,802.28
Assets held for sale			
Non-current assets due within one year		400,000,000.00	463,415,968.00
Other current assets		243,646,496.83	365,378,116.05
Total current assets		29,015,349,342.06	29,035,181,060.62
Non-current assets:			
Loans and advances to customers			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables		2,176,499,290.71	1,976,516,046.20
Long-term equity investments		740,036,766.87	740,935,298.11
Investments in other equity instruments		71,478,588.58	63,403,225.93
Other non-current financial assets			
Investment properties		21,308,295.44	21,622,651.52
Fixed assets		11,662,555,258.81	12,046,436,020.38
Construction in progress		1,010,238,554.59	762,567,676.87
Productive biological assets			
Oil and gas assets			
Right-of-use asset		176,233,075.65	
Intangible assets		2,053,979,115.18	2,084,830,278.97
Development expenses			
Goodwill		144,231,195.67	144,231,195.67
Long-term prepaid expenses		83,338,711.86	79,285,603.23
Deferred income tax assets		374,816,976.93	440,083,496.90
Other non-current assets		26,470,552.78	80,251,531.97
Total non-current assets		18,541,186,383.07	18,440,163,025.75
Total assets		47,556,535,725.13	47,475,344,086.37

SECTION VIII FINANCIAL REPORT

Consolidated Balance Sheet (Continued) 30 June 2019

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

Unit: RMB

Item	Notes	30 June 2019	31 December 2018
Current liabilities:			
Short-term borrowings		7,524,383,875.11	4,304,387,255.88
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading		202,774,080.82	431,894,056.78
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		1,850,172,981.45	2,730,396,298.20
Accounts payable		8,263,699,493.42	7,958,832,249.26
Advances from customers			
Securities sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable		62,783,802.68	41,351,166.51
Taxes payable		75,307,785.25	48,140,024.18
Other payables		284,772,011.61	336,922,424.57
Including: Interest payable		31,141,150.16	16,734,825.58
Dividends payable		394,042.49	304,042.49
Fee and commission payable			
Reinsured accounts payable			
Contract liabilities		6,469,940,246.41	7,112,391,961.78
Liabilities held for sale			
Non-current liabilities due within one year		1,489,900,000.00	4,414,000,000.00
Other current liabilities		233,992,036.02	182,190,818.20
Total current liabilities		26,457,726,312.77	27,560,506,255.36
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings		4,721,457,000.00	4,339,619,500.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		128,738,531.12	
Long-term payables		99,370,000.00	99,370,000.00
Long-term employee benefits payable		239,715,834.08	248,554,297.66
Estimated liabilities		685,301,841.13	802,016,709.10
Deferred income		73,859,885.16	59,916,128.16
Deferred tax liabilities		6,949,522.36	8,950,648.02
Other non-current liabilities			
Total non-current liabilities		5,955,392,613.85	5,558,427,282.94
Total liabilities		32,413,118,926.62	33,118,933,538.30

SECTION VIII FINANCIAL REPORT

Consolidated Balance Sheet (Continued) 30 June 2019

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

Unit: RMB

Item	Notes	30 June 2019	31 December 2018
Owners' equity (or shareholders' interests):			
Paid-in capital (or share capital)		1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		9,549,636,081.11	9,549,580,748.34
Less: Treasury shares			
Other comprehensive income		-38,046,780.32	-45,615,426.57
Special reserve		1,224,467.93	1,226,639.50
Surplus reserve		962,441,825.31	962,441,825.31
Provision for general risks			
Undistributed profit		-1,762,952,145.45	-2,153,702,475.37
Total equity (or shareholders' interests) attributable to owners of the Parent Company		10,125,809,826.58	9,727,437,689.21
Minority interests		5,017,606,971.93	4,628,972,858.86
Total owners' equity (or shareholders' interests)		15,143,416,798.51	14,356,410,548.07
Total liabilities and owners' equity (or shareholders' interests)		47,556,535,725.13	47,475,344,086.37

Legal representative:

Person in charge of accounting:

Head of accounting department:

SECTION VIII FINANCIAL REPORT

Balance Sheet of the Parent Company 30 June 2019

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

Unit: RMB

Item	Notes	30 June 2019	31 December 2018
Current assets:			
Cash at bank and on hand		107,410,995.53	99,371,121.05
Financial assets held-for-trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable		39,819,173.31	46,428,670.20
Receivable financing			
Prepayments		1,878,270.09	2,100,230.64
Other receivables		9,290,612.44	9,520,031.06
Including: Interest receivable		44,340.01	558,431.55
Dividends receivable			
Inventories		79,170,565.28	98,897,393.27
Contract assets			
Assets held for sale			
Non-current assets due within one year		500,000,000.00	
Other current assets		861,243,460.53	761,163,163.71
Total current assets		1,598,813,077.18	1,017,480,609.93
Non-current assets:			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		7,919,870,080.03	7,921,435,986.83
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		67,806,780.87	70,839,970.49
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use asset		2,351,330.29	
Intangible assets		10,322,758.93	10,468,726.74
Development expenses			
Goodwill			
Long-term prepaid expenses		893,924.55	
Deferred income tax assets		20,000,000.00	20,000,000.00
Other non-current assets		435,653,145.42	633,860,105.78
Total non-current assets		8,456,898,020.09	8,656,604,789.84
Total assets		10,055,711,097.27	9,674,085,399.77

SECTION VIII FINANCIAL REPORT

Balance Sheet of the Parent Company (Continued) 30 June 2019

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

Unit: RMB

Item	Notes	30 June 2019	31 December 2018
Current liabilities:			
Short-term borrowings		850,000,000.00	650,000,000.00
Financial liabilities held-for-trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		48,635,181.56	58,845,591.58
Advances from customers			
Contract liabilities		48,817,564.81	65,497,566.97
Employee benefits payable			
Taxes payable		2,339,036.89	3,217,292.29
Other payables		45,969,343.85	41,994,848.71
Including: Interest payable		891,458.34	731,881.94
Dividends payable		304,042.49	304,042.49
Liabilities held for sale			
Non-current liabilities due within one year		200,000,000.00	
Other current liabilities		352,329.61	77,418.16
Total current liabilities		1,196,113,456.72	819,632,717.71
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		2,399,044.36	–
Long-term payables		99,370,000.00	99,370,000.00
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		101,769,044.36	99,370,000.00
Total liabilities		1,297,882,501.08	919,002,717.71
Owners' equity (or shareholders' interests):			
Paid-in capital (or 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		723,723,547.64	720,977,633.51
Total owners' equity (or shareholders' interests)		8,757,828,596.19	8,755,082,682.06
Total liabilities and owners' equity (or shareholders' interests)		10,055,711,097.27	9,674,085,399.77

Legal representative:

Person in charge of accounting:

Head of accounting department:

SECTION VIII FINANCIAL REPORT

Consolidated Income Statement From January to June 2019

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

Unit: RMB

Item	Notes	1st half of 2019	1st half of 2018
I. Total operating income		7,816,085,319.68	8,473,768,799.74
Including: Operating income		7,816,085,319.68	8,473,768,799.74
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		8,354,963,237.47	9,157,920,887.93
Including: Operating costs		7,626,860,800.81	8,383,297,494.76
Interest expense			
Fee and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net increase in insurance contracts reserve			
Policy dividend payment			
Reinsured expenses			
Taxes and surcharges		32,793,624.08	40,552,883.03
Selling expenses		8,547,839.97	31,034,687.54
Administrative expenses		374,142,028.48	392,266,908.95
Research and development expense		226,390,380.65	201,450,733.11
Finance cost		86,228,563.48	109,318,180.54
Including: Interest expenses		195,683,733.87	185,234,311.41
Interest income		128,327,120.98	107,911,578.77
Add: Other income		5,517,547.40	8,439,920.30
Investment income (loss expressed with “-”)		-200,623,239.54	20,390,428.51
Including: Investment income in associates and joint ventures		-2,542,980.91	-4,716,485.94
Derecognition income of financial assets measured at amortised cost (loss expressed with “-”)			
Exchange gain (loss expressed with “-”)			
Net gain on exposure hedging (loss expressed with “-”)			
Gain on change in fair value (loss expressed with “-”)		264,450,151.28	-221,420,289.98
Loss on impairment of credit (loss expressed with “-”)		-8,451,275.85	-9,818,347.40
Loss on impairment of assets (loss expressed with “-”)		-69,618,896.09	-80,048,917.97
Gains from disposal of asset (loss expressed with “-”)		-249,851.06	
III. Operating profit (loss expressed with “-”)		-547,853,481.65	-966,609,294.73
Add: Non-operating income		1,253,089,251.01	564,305,723.58
Less: Non-operating expenses		1,625,913.57	57,469,748.98
IV. Total profit (total loss expressed with “-”)		703,609,855.79	-459,773,320.13
Less: Income tax expense		93,984,992.93	-32,894,664.43
V. Net profit (net loss expressed with “-”)		609,624,862.86	-426,878,655.70
(i) By continuity of operations			
1. Net profit from continuing operations (net loss expressed with “-”)		609,624,862.86	-426,878,655.70
2. Net profit from discontinued operations (net loss expressed with “-”)			
(ii) By ownership			
1. Net profit attributable to shareholders of the Parent Company (net loss expressed with “-”)		390,750,329.92	-361,945,458.99
2. Gain or loss attributable to minority interests (net loss expressed with “-”)		218,874,532.94	-64,933,196.71

SECTION VIII FINANCIAL REPORT

Consolidated Income Statement (Continued) From January to June 2019

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

Unit: RMB

Item	Notes	1st half of 2019	1st half of 2018
VI. Net after tax for other comprehensive income		10,401,824.34	-2,300,574.80
Net after tax for other comprehensive income attributable to owners of the Parent Company		7,568,646.25	-4,018,109.52
(i) Other comprehensive income that may not be reclassified to profit or loss		7,520,933.58	-2,271,924.51
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		7,520,933.58	-2,271,924.51
4. Change in fair value of own credit risk			
(ii) Other comprehensive income that may be reclassified to profit or loss		47,712.67	-1,746,185.01
1. Other comprehensive income that may be reclassified to profit or loss under equity method			-120,904.30
2. Change in fair value of other debt investments			
3. Gain or loss on change in fair value of available-for-sale financial assets			
4. Amount included in other comprehensive income on reclassification of financial assets			
5. Gain or loss on re-classification of held-to-maturity investment into available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedges reserve (effective portion of gain or loss on cash flow hedges)			
8. Exchange differences arising from translation of foreign currency financial statements		47,712.67	-1,625,280.71
9. Others			
Net other comprehensive income after tax attributable to minority interests		2,833,178.09	1,717,534.72
VII. Total comprehensive income		620,026,687.20	-429,179,230.50
Total comprehensive income attributable to owners of the Parent Company		398,318,976.17	-365,963,568.51
Total comprehensive income attributable to minority interests		221,707,711.03	-63,215,661.99
VIII. Earnings per share:			
(i) Basic earnings per share (RMB/share)		0.2764	-0.2561
(ii) Diluted earnings per share (RMB/share)		0.2764	-0.2561

Legal representative:

Person in charge of accounting:

Head of accounting department:

SECTION VIII FINANCIAL REPORT

Income statement of the Parent Company From January to June 2019

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

Unit: RMB

Item	Notes	1st half of 2019	1st half of 2018
I. Operating income		91,961,389.81	82,239,576.72
Less: Operating costs		89,042,949.57	91,645,798.74
Taxes and surcharges		1,396,458.92	851,127.95
Selling expenses		1,245,236.98	2,434,118.29
Administrative expenses		10,051,417.16	8,623,652.56
Research and development expense			
Finance cost		-13,932,102.59	-11,803,521.19
Including: Interest expenses		14,208,124.99	2,282,026.39
Interest income		28,187,838.37	14,887,597.24
Add: Other income			
Investment income (loss expressed with “-”)		-1,479,212.18	-3,699,482.54
Including: Investment income in associates and joint ventures		-1,479,212.18	-3,699,482.54
Derecognition income of financial assets measured at amortised cost (loss expressed with “-”)			
Net gain on exposure hedging (loss expressed with “-”)			
Gain on change in fair value (loss expressed with “-”)			
Loss on impairment of credit (loss expressed with “-”)		67,779.32	-52,178.31
Loss on impairment of assets (loss expressed with “-”)			
Gains from disposal of asset (loss expressed with “-”)			
II. Operating profit (loss expressed with “-”)		2,745,996.91	-13,263,260.48
Add: Non-operating income			
Less: Non-operating expenses		82.78	31,132.31
III. Total profit (total loss expressed with “-”)		2,745,914.13	-13,294,392.79
Less: Income tax expense			
IV. Net profit (net loss expressed with “-”)		2,745,914.13	-13,294,392.79
(i) Net profit from continuing operations (net loss expressed with “-”)		2,745,914.13	-13,294,392.79
(ii) Net profit from discontinued operations (net loss expressed with “-”)			
V. Net after tax for other comprehensive income			
(i) Other comprehensive income that may not be reclassified to profit or loss			
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			
4. Change in fair value of own credit risk			
(ii) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. Gain or loss on change in fair value of available-for-sale financial assets			
4. Amount included in other comprehensive income on reclassification of financial assets			
5. Gain or loss on re-classification of held-to-maturity investment into available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedges reserve (effective portion of gain or loss on cash flow hedges)			
8. Exchange differences arising from translation of foreign currency financial statements			
9. Others			
VI. Total comprehensive income		2,745,914.13	-13,294,392.79
VII. Earnings per share:			
(i) Basic earnings per share (RMB/share)			
(ii) Diluted earnings per share (RMB/share)			

Legal representative:

Person in charge of accounting:

Head of accounting department:

SECTION VIII FINANCIAL REPORT

Consolidated Cash Flow Statement From January to June 2019

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

Unit: RMB

Item	Notes	1st half of 2019	1st half of 2018
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		6,058,118,267.56	7,463,810,563.14
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			
Cash receipts of interest, fees and commissions			
Net increase in placements from other financial institutions			
Net increase in sales and repurchase operations			
Cash receipts of brokerage for securities trading			
Cash received from tax refund		596,547,275.43	719,882,130.21
Other cash receipts relating to operating activities		1,137,939,919.46	312,895,079.83
Sub-total of cash inflows from operating activities		7,792,605,462.45	8,496,587,773.18
Cash paid for goods and services		9,667,631,483.97	9,329,424,056.63
Net increase in loans and advances to customers			
Net increase in central bank and interbank deposits			
Cash paid for claims of direct insurance contracts			
Net increase in financial assets held for trading			
Net increase in placements with banks and non-bank financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for dividends of insurance policies			
Cash paid to and on behalf of employees		945,314,358.75	936,168,386.41
Payments of taxes		71,995,816.45	77,861,967.74
Other cash payments relating to operating activities		308,141,118.24	669,551,791.58
Sub-total of cash outflows from operating activities		10,993,082,777.41	11,013,006,202.36
Net cash flows from operating activities		-3,200,477,314.96	-2,516,418,429.18
II. Cash flows from investing activities:			
Cash receipts from recover of investments		300,000,000.00	701,000,000.00
Cash receipts from investment income		6,060,784.49	19,089,809.90
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		222,809.08	382,308.97
Net cash receipts from disposal of subsidiaries and other business units		60,448.29	
Other cash receipts relating to investing activities		1,720,638,033.71	515,870,456.93
Sub-total of cash inflows from investing activities		2,026,921,627.28	1,236,403,024.09
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		371,211,006.35	369,164,988.71
Cash paid for investments		630,614,976.25	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		2,394,898,237.08	2,192,563,721.90
Sub-total of cash outflows from investing activities		3,396,724,219.68	2,598,729,710.61
Net cash flows from investing activities		-1,369,802,592.40	-1,362,326,686.52

SECTION VIII FINANCIAL REPORT

Consolidated Cash Flow Statement (Continued) From January to June 2019

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

Unit: RMB

Item	Notes	1st half of 2019	1st half of 2018
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 interest			4,800,000,000.00
Cash receipts from borrowings obtained		6,920,297,222.23	3,243,008,500.00
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities		167,000,000.00	77,500,000.00
Sub-total of cash inflows from financing activities		7,087,297,222.23	8,120,508,500.00
Cash paid for repayment of debts		6,002,152,246.16	8,170,850,316.47
Cash paid for dividends, profit distribution or interest expenses		190,507,347.30	204,910,011.12
Including: Dividends and profits paid by subsidiaries to minority interests			
Other cash payments relating to financing activities			1,002,400.00
Sub-total of cash outflows from financing activities		6,192,659,593.46	8,376,762,727.59
Net cash flows from financing activities		894,637,628.77	-256,254,227.59
IV. Effect of change in exchange rate on cash and cash equivalents		-12,849,024.61	-4,911,266.62
V. Net increase in cash and cash equivalents		-3,688,491,303.20	-4,139,910,609.91
Add: Beginning balance of cash and cash equivalents		8,536,815,355.09	11,634,582,111.41
VI. Ending balance of cash and cash equivalents		4,848,324,051.89	7,494,671,501.50

Legal representative:

Person in charge of accounting:

Head of accounting department:

SECTION VIII FINANCIAL REPORT

Cash Flow Statement of the Parent Company From January to June 2019

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

Unit: RMB

Item	Notes	1st half of 2019	1st half of 2018
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		92,718,196.49	111,009,558.75
Cash received from tax refund			
Other cash receipts relating to operating activities		5,541,582.32	8,983,184.27
Sub-total of cash inflows from operating activities		98,259,778.81	119,992,743.02
Cash paid for goods and services		70,136,338.25	86,368,622.84
Cash paid to and on behalf of employees		13,959,493.28	13,733,025.10
Payments of taxes		6,960,485.78	2,153,426.93
Other cash payments relating to operating activities		13,530,530.32	19,464,265.64
Sub-total of cash outflows from operating activities		104,586,847.63	121,719,340.51
Net cash flows from operating activities		-6,327,068.82	-1,726,597.49
II. Cash flows from investing activities:			
Cash receipts from recover of investments			
Cash receipts from investment income		86,694.62	
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		128,363,097.20	505,019,623.61
Sub-total of cash inflows from investing activities		128,449,791.82	505,019,623.61
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		74,195.75	570,972.49
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		530,000,000.00	400,000,000.00
Sub-total of cash outflows from investing activities		530,074,195.75	430,570,972.49
Net cash flows from investing activities		-401,624,403.93	74,448,651.12
III. Cash flows from financing activities:			
Cash receipts from receiving investments			
Cash receipts from borrowings obtained		400,000,000.00	
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		400,000,000.00	
Cash paid for repayment of debts			491,000,000.00
Cash paid for dividends, profit distribution or interest expenses		14,008,652.77	2,642,689.99
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		14,008,652.77	493,642,689.99
Net cash flows from financing activities		385,991,347.23	-493,642,689.99
IV. Effect of change in exchange rate on cash and cash equivalents			-647,405.27
V. Net increase in cash and cash equivalents		-21,960,125.52	-421,568,041.63
Add: Beginning balance of cash and cash equivalents		99,371,121.05	513,258,307.19
VI. Ending balance of cash and cash equivalents		77,410,995.53	91,690,265.56

Legal representative:

Person in charge of accounting:

Head of accounting department:

SECTION VIII FINANCIAL REPORT

Consolidated Statement of Changes in Owners' Equity From January to June 2019

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

Unit: RMB

Item	1st half of 2019													Sub-total	Minority interest	Total owners' equity
	Equity attributable to owners of the Parent Company															
	Paid-up capital (or share capital)	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Others			
Preference shares		Perpetual bonds	Others													
I. Balance at the end of the previous year	1,413,506,378.00				9,549,680,748.34		-45,615,426.57	1,226,639.50	962,441,825.31		-2,153,702,475.37		9,727,437,689.21	4,628,972,858.86	14,356,410,548.07	
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				9,549,680,748.34		-45,615,426.57	1,226,639.50	962,441,825.31		-2,153,702,475.37		9,727,437,689.21	4,628,972,858.86	14,356,410,548.07	
III. Increase/(decrease for the period) (Decrease expressed with "-")						55,332.77	7,568,646.25	-2,171.57			390,750,329.92		398,372,137.37	388,634,113.07	787,006,250.44	
(i) Total comprehensive income							7,568,646.25				390,750,329.92		398,372,137.37	388,634,113.07	787,006,250.44	
(ii) Capital paid in and reduced by owners						55,332.77							55,332.77	166,926,402.04	166,981,734.81	
1. Ordinary shares paid by shareholders														167,000,000.00	167,000,000.00	
2. Capital paid by holders of other equity instruments																
3. Amount of share-based payments recognised in owners' equity																
4. Others						55,332.77							55,332.77	-73,597.96	-18,265.19	
(iii) Profit distribution																
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																
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				9,549,636,081.11		-38,046,780.32	1,224,467.93	962,441,825.31		-1,782,952,145.45		10,125,809,826.58	5,017,606,971.93	15,143,416,798.51	

SECTION VIII FINANCIAL REPORT

Consolidated Statement of Changes in Owners' Equity (Continued) From January to June 2019

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

Unit: RMB

Item	1st half of 2019														
	Equity attributable to owners of the Parent Company													Minority interest	Total owners' equity
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Others	Sub-total		
Preference shares		Perpetual bonds	Others												
I. Balance at the end of the previous year	1,413,506,378.00				6,868,230,515.41		-60,327,829.23	2,010,677.96	962,441,825.31		1,228,681,091.09		10,414,542,658.54	1,531,599,209.58	11,946,141,868.12
Add: Changes in accounting policies							17,736,432.06						-29,547,841.37		-11,811,409.31
Correction of previous errors															
Business combination under common control					1,678,445,097.92			66,027.94					-1,493,981,502.62		394,549,623.24
Others															-21,201,641.32
II. Balance at the beginning of the year	1,413,506,378.00				8,746,675,613.33		-42,591,397.17	2,096,705.90	962,441,825.31		-284,848,252.90		10,797,280,872.47	1,510,397,568.26	12,307,678,440.73
III. Increase/(decrease) for the period (Decrease expressed with "-")					1,112,105,904.90		-4,178,047.13	-39,382.23					-361,785,521.38		-746,102,954.16
(i) Total comprehensive income					1,112,105,904.90		-4,018,109.52						-361,945,458.99		-365,963,568.51
(ii) Capital paid in and reduced by owners					1,112,105,904.90										1,112,105,904.90
1. Ordinary shares paid by shareholders															4,912,010,000.00
2. Capital paid by holders of other equity instruments															
3. Amount of share-based payments recognised in owners' equity															
4. Others					1,112,105,904.90										-37,533,747.18
(iii) Profit distribution															
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															
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				9,858,781,518.23		-46,769,444.30	2,057,323.67	962,441,825.31		-646,633,774.28		11,543,383,826.63	5,209,552,826.58	16,752,936,653.21

Legal representative:

Person in charge of accounting:

Head of accounting department:

SECTION VIII FINANCIAL REPORT

Statement of Changes in Owners' Equity of the Company From January to June 2019

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

Unit: RMB

Item	1st half of 2019										
	Paid-up capital (or 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				472,670,941.45	720,977,633.51	8,755,082,682.06
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	720,977,633.51	8,755,082,682.06
III. Increase/decrease for the period (Decrease expressed with "-")											
(i) Total comprehensive income										2,745,914.13	2,745,914.13
(ii) Capital paid in and reduced by owners										2,745,914.13	2,745,914.13
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											
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				472,670,941.45	723,723,547.64	8,757,828,596.19

SECTION VIII FINANCIAL REPORT

Statement of Changes in Owners' Equity of the Company (Continued) From January to June 2019

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

Unit: RMB

Item	1st half of 2019										
	Paid-up capital (or 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				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											
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				472,670,941.45	730,996,533.59	8,765,101,582.14

Legal representative:

Person in charge of accounting:

Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

I. BASIC INFORMATION ON THE COMPANY

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 15th Floor, Ship Building, No.137 Gexin Road, Haizhu 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 annual general meeting of 2010 and revised Articles of Association of the Company, 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 for 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 Limited (“CSSC”) for purchase of CSSC’s 85% equity interest in CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”) and paid cash to CSSC for acquisition of 15% equity interest in Huangpu Wenchong; placed 68,313,338 ordinary shares of RMB1 each to Yangzhou Kejin Shipyard Co., Ltd. for purchase of its relevant shipbuilding assets; and placed 42,559,089 ordinary shares of RMB1 each to 7 specific investors. The registered capital upon change is RMB1,413,506,378.

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

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

The Company is engaged in the manufacturing of equipment for railways, ships, aerospace and other transportation facilities, and its scope of business is 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 maintenance; 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 labour 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 include the Company and its 24 subsidiaries, including: Guangzhou Shipyard International Company Limited (“GSI”), Guangzhou Longxue Pipe Co., Ltd. (“Pipe Company”), 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”), Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd. (“Large-scale Machinery”), Zhongshan GSI Marine Engineering Company Limited (“Zhongshan GSI”), Guangzhou Wenchong Dockyard Co., Ltd. (“Wenchong Dockyard”), 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 Industrial”), Guangzhou Xingji Maritime Engineering Design Co., Ltd. (“Xingji”), Wah Shun International Marine Limited (“Wah Shun”), Wah Loong International Marine Limited (“Wah Loong”), CSSC (Guangzhou) New Energy Co., Ltd. (“CSSC New Energy”) and CSSC Industrial Internet Co., Ltd. (“CSSC Internet”).

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

(1) Basis for preparation

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

(2) Going-concern

The management of the Group has assessed its ability to operate on a continuing basis for the 12 months from 30 June 2019 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 for receivables, 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 in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of the financial position, the operating results and cash flows of the Company and the Group.

(2) Accounting period

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

(3) Operating cycle

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

(4) Reporting currency

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

(5) Accounting treatments for business combinations 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 date of combination in the consolidated financial statements of the ultimate controller. 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 2019 to 30 June 2019

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

(6) Preparation of consolidated financial statements

The Group includes all of its subsidiaries under its control in the scope of consolidated financial statements.

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" in the consolidated financial statements.

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 statements 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 existed since the ultimate controller started control.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, shall be regarded as the ultimate 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 ultimate 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 increased 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 statements 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 investee 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 in the consolidated financial statements, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the Group loss control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be re-measured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets of the subsidiary 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 a series of transactions, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary, shall be recognised as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for current period upon loss of control.

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(7) Classification of joint arrangement and accounting method for joint operation

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, recognises assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assume in proportion, and related income and fees will be recognised according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or sale under joint operation that do not constitute business, only when profit or loss incurred from that transaction attributable to the other parties under the joint operation.

(8) Cash and cash equivalents

Cash in the cash flow statement of the Group represents the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

(9) Foreign currency transactions and translation of foreign currency financial statements

1 Foreign currency transaction

Transactions by foreign currency of the Group 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 year.
- 3) The translation difference arising from such translation into foreign currency statements is shown under other comprehensive income.
- 4) Foreign currency cash flows are translated using the average of the exchange rates at the beginning of the year and the end of the year. The effect of changes in exchange rates on cash and cash equivalents is presented separately in the statement of cash flows.

(10) Financial assets and financial liabilities

When the Group becomes a party in the financial instrument contract, a financial asset or financial liability will be recognised.

1. Financial assets

1) Classification of financial assets, basis of recognition and method of measurement

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 meeting both of the following conditions into financial assets at amortised cost: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and the relevant transaction expenses are included in the initially recognised amount; they are subsequently measured at amortised cost. Except for those designated as hedging items, the difference between the initial amount and the due amount shall be amortised according to the effective interest rate method, and the amortisation, impairment, exchange gains and losses as well as gains or losses arising from derecognition shall be included in profit or loss.

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The Group classifies financial assets meeting both of the following conditions into financial assets at fair value through other comprehensive income: (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and the relevant transaction expenses are included in the initially recognised amount. Except for those designated as hedging items, other gains or losses arising from such financial assets are included in other comprehensive income, other than credit impairment losses or gains, exchange gains or losses and interest of such financial assets calculated using the effective interest rate method. Upon derecognition of financial assets, accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to profit or loss.

The Group recognises interest income using the effective interest rate method. Interest income is determined by multiplying the book balance of financial assets by the actual interest rate, except: (i) For the purchased or internally generated credit-impaired financial assets, the Group recognises interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition. (ii) For the purchased or internally generated financial assets without credit impairment but subsequently becoming credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets.

The Group designates equity instruments not held for trading as financial assets at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. Equity instruments not held for trading of the Group designated as at fair value through other comprehensive income are initially measured at fair value, and the relevant transaction costs are included in the initially recognised amount. Except for dividends received (other than the recovered part of investment cost) which are included in profit or loss, other related gains or losses (including exchange gains or losses) are included in other comprehensive income and shall not be subsequently transferred to profit or loss. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred to retained earnings from other comprehensive income.

Financial assets other than the above financial assets classified as at amortised cost and financial assets classified as at fair value through other comprehensive income. The Group classifies them as financial assets at fair value through profit or loss. Such financial assets are initially measured at fair value, and the relevant transaction costs are directly included in profit or loss. Gains or losses on such financial assets are included in profit or loss.

2) *Basis for recognition and measurement method of transfer of financial assets*

The Group derecognises financial assets if any of the following conditions is met: (1) the 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.

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 as a result of the transfer and the part of derecognised part in the accumulated changes in fair value which were previously directly included in other comprehensive income (the contractual terms of the financial asset involved in transfer 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.

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 amount corresponding to the derecognised part of the accumulated changes in fair value which were previously included in other comprehensive income (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.

2. **Financial liabilities**

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated at fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

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Other financial liabilities are subsequently measured at amortised cost using the effective interest method. 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 the transfer of financial assets which do not meet the conditions for derecognition or the continued involvement in the 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.

2) *Conditions for derecognition of financial liabilities*

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Group 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 by the Group 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. **Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities of the Group are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied: (1) the Group currently has a legally enforceable right to set off the recognised amounts; and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

5. **Distinction between financial liabilities and equity instruments and related treatment methods**

The Group distinguishes between financial liabilities and equity instruments according to the following principles: (1) If the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions. (2) If a financial instrument must or may be settled with the Group's own equity instrument, it shall be taken into account whether the Group's own equity instrument used for settling the instrument is the substitute of cash or other financial assets, or is used to entitle the instrument holder with the remaining equity in the assets of the issuer after netting of all the liabilities. In the former case, this instrument is the financial liability of the issuer, while in the latter case, it is the equity instrument of the issuer. In some cases, a financial instrument contract requires the Group to settle the financial instrument with its own equity instrument, where the amount of contractual or contractual obligations equals the number of equity instruments available or to be delivered multiplied by its settlement. The fair value of the contract is classified as a financial liability, regardless of whether the amount of the contractual rights or obligations is fixed or is based, in whole or in part, on changes in variables (for example, interest rate, prices of certain goods or certain financial instrument) other than the market price of the Group's own equity instruments.

When the Group classifies financial instruments (or their components) in a consolidated statement, it considers all the terms and conditions between the Group's members and the holders of financial instruments. If the Group as whole entity assumes the obligation to deliver cash, other financial assets or other obligations causing the instrument to be settled as a financial liability, the instrument shall be classified as a financial liability.

Where a financial instrument or a component thereof is a financial liability, the Group includes the relevant interest, dividends, gains or losses and the gains or losses arising from redemption or refinancing in profit or loss.

Where a financial instrument or a component thereof is an equity instrument, the Group's issuance (including refinancing), repurchase, sale or cancellation is treated as a change in equity and does not recognise changes in the fair value of the equity instrument.

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(11) Notes receivable

For notes receivable obtained by the Group, if the maturity date of the notes is within one year and the Group determines that there is no difference between the cash flows of the notes receivable and the cash flows expected to be received for the notes receivable, no provision for impairment is recognised for the notes receivable. If the maturity date of the notes exceeds one year, the Group recognises expected credit loss of notes receivable and make provision for bad debts based on the difference between the carrying amount of the notes receivable and the present value of the cash flows expected to be received for the notes receivable.

(12) Accounts receivable

For the Group's receivables which arise from transactions regulated by the "Accounting Standards for Business Enterprises No. 14 – Revenue Standards" and which do not contain significant financing components, their loss allowance is always measured at the amount of the expected credit losses for the lifetime.

Judgment of whether the credit risk has increased significantly since the initial confirmation. The Group determines whether the credit risk of the financial instrument has increased significantly by comparing the probability of default of the financial instrument on initial recognition and the probability of default of the instrument during the expected lifetime determined on the balance sheet date. However, if the Group determines that the financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since initial recognition. In general, if the overdue period exceeds 30 days, it indicates that the credit risk of the financial instrument has increased significantly. Unless the Group obtains reasonable and evidenced information without unnecessary additional costs or effort, it proves that even if the overdue period exceeds 30 days, the credit risk has not increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Group considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional costs or effort. The information considered by the Group includes significant changes in overdue information, borrower's expected performance and repayment behaviour, adverse changes in business, financial or external economic conditions that are expected to lead to significant changes in the borrower's ability to meet its debt-paying obligations, etc.

Assessment on a collective basis. For notes and accounts receivable, the Group cannot obtain sufficient evidence of significant increase in credit risk at a reasonable cost at the level of individual instruments, and it is feasible to evaluate whether credit risk increases significantly on a collective basis. Therefore, the Group classifies notes receivable according to the maturity of notes as a common risk characteristic and considers whether credit risk increases significantly on a collective basis. According to the common risk characteristics of the borrower type and date of initial recognition, the Group classifies accounts receivable and considers whether credit risk has significantly increased on a collective basis.

Measurement of expected credit losses. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages.

Method of determination of expected credit loss of accounts receivable and accounting treatment methods

According to the common risk characteristics of the borrower type and date of initial recognition, the Group classifies accounts receivable, considers whether credit risk has significantly increased on a collective basis and determines expected credit loss.

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- 1 For receivables among entities in the scope of consolidated financial statements of the Group, the Group determines that no expected credit loss exists and no provision for bad debts is made.
- 2 The Group determines the accounts receivable with an ageing of over one year since date of initial recognition and for which there are indications of impairment to be the accounts receivable the credit risk of which has significantly increased since initial recognition, and determine expected credit loss and make provision for bad debts based on the difference between the carrying amount of the accounts receivable and the present value of the cash flows expected to be received for the accounts receivable.
- 3 The Group determines the accounts receivable which have not been tested individually for impairment to be the accounts receivable the credit risk of which has not significantly increased since initial recognition. Based on the actual credit loss for previous years and considering forwarding information for the period, the Group expects the default loss ratio to be 0.5%, determines the expected credit loss of accounts receivable and makes provision for bad debts based on 0.5% of the balance at the balance sheet date.

(13) Other receivables

Method of determination of expected credit loss of other receivables and accounting treatment methods:

The Group measures loss allowance for other receivables according to the following circumstances: (i) the Group measures loss allowance for the financial assets the credit risk of which has not significantly increased since initial recognition based on the amount of expected credit loss for the next 12 months; (ii) the Group measures loss allowance for the financial assets the credit risk of which has significantly increased since initial recognition based on the amount of expected credit loss during the lifetime of the financial instrument; (iii) the Group measures loss allowance for the financial assets which have been credit-impairment since purchase or origination based on the amount of expected credit loss during the lifetime of the financial assets.

Assessment on a collective basis. For other receivables, the Group cannot obtain sufficient evidence of significant increase in credit risk at a reasonable cost at the level of individual instruments, and it is feasible to evaluate whether credit risk increases significantly on a collective basis. Therefore, the Group classifies other receivables according to the type of borrowers and date of initial recognition as a common risk characteristic and considers whether credit risk increases significantly on a collective basis.

- 1 For other receivables among entities in the scope of consolidated financial statements of the Group, the Group determines that no expected credit loss exists and no provision for bad debts is made.
- 2 The Group determines other receivables with an ageing of over one year and for which there are indications of impairment to be other receivables the credit risk of which has significantly increased since initial recognition, and determine expected credit loss and make provision for bad debts based on the difference between the carrying amount of other receivables and the present value of the cash flows expected to be received for other receivables.
- 3 The Group determines other receivables which have not been tested individually for impairment to be other receivables the credit risk of which has not significantly increased since initial recognition. Based on the actual credit loss for previous years and considering forwarding information for the period, the Group expects the default loss ratio to be 0.5%, determines the expected credit loss of other receivables and make provision for bad debts based on 0.5% of the balance at the balance sheet date.

(14) Inventories

The inventories of the Group mainly include raw materials, low-value consumables, work in progress and finished goods.

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 packaged goods are amortised using one-time resale method.

The net realisable 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 realisable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes.

(15) Contract assets

1. Method and standards for recognition of contract assets

A contract asset represents the Group's right to receive consideration in exchange for goods that the Group has transferred to a customer. If the Group sells two clearly distinguishable goods to customers, it is entitled to receive payment for one of the goods that has been delivered, but the payment is also dependent on the delivery of the other of the goods, the Group regards the right to receive payment as a contract asset.

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2. *Method of determination of expected credit loss of contract assets and accounting treatment methods*

Method of determination of expected credit loss of contract assets. 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, and no provision for impairment of contract assets is recognised. If contractual payment is no less than 30 days past due, the Group recognises provision for impairment of contract assets based on the expected credit losses of the contract assets for the entire duration of the contract. For the method of determination, please refer to the description in (11) Notes receivable and (12) Accounts receivable above.

Accounting treatment method. The Group calculates the expected credit loss of contract assets on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current provision for contract assets, the Group recognises the difference as impairment losses, and it will debit "credit impairment loss" and credit "provision for impairment of contract assets". Otherwise, the Group recognises the difference as an impairment gain and makes the opposite accounting record.

If the Group incurs credit loss and determines that the relevant contract assets are unrecoverable, subject to the approval for writing off, it will debit "provision for impairment of contract assets" and credit "contract assets" based on the approved amount written-off. If the written-off amount is greater than the loss allowance made, the "credit impairment loss" is debited for the difference.

(16) **Contract costs**

1. *Method of determination of amount of assets relating to contract costs*

The Group's assets relating to contract costs include contract performance cost and contract acquisition cost.

Contract performance cost refers to the cost incurred by the Group to perform a contract which does not fall under the scope of the Accounting Standards for Business Enterprises and meets all of the following conditions, and is recognised as an asset as contract performance cost: the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract; the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; the costs are expected to be recovered.

Contract acquisition cost refers to the incremental cost for the Group to obtain a contract which is expected to be recoverable and is recognised as an asset as contract acquisition cost. If the amortisation period is no more than one year, the contract acquisition cost is included in profit or loss as incurred. Incremental cost refers to the cost which will not be incurred by the Group had no contract been acquired (such as commission etc.). Other expenses incurred by the Group to obtain contracts (other than the incremental cost which is expected to be recoverable) (such as travelling expenses which will be incurred regardless of whether the contract will be obtained) are included in profit or loss as incurred, save for those expressly to be borne by customers.

2. *Amortisation of assets relating to contract costs*

The Group's assets relating to contract costs are amortised using the same basis as that for recognition of the revenue from goods relating to the assets, which are included in profit or loss.

3. *Impairment of assets relating to contract costs*

In determining the loss on impairment of assets relating to contract costs, the Group first determines the impairment loss for other assets relating to contract costs recognised in accordance with the relevant Accounting Standards for Business Enterprises and then makes provision for impairment based on the excess of its carrying value over the sum of the remaining consideration expected to be received from transfer of the goods relating to the asset and the cost expected to be incurred for transfer of the relevant goods, which is recognised as loss on impairment of assets.

If there is any change in the factors causing impairment in the previous periods, resulting in the said difference higher than the carrying value of the asset, the provision for impairment of assets previously made is reversed and is included in profit or loss. However, the carrying value of the asset following reversal shall not exceed the carrying value of the asset as at the date of reversal had no provision for impairment been made.

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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 analysed. If the carry value is negative, it will be reclassified and presented under estimated liabilities. If the carrying value is positive, it will be presented under inventories.

(17) Long-term equity investments

Long-term equity investments of the Group are the investments 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.

When the Group directly or indirectly throughout its subsidiary owns 20% (inclusive) or more but less than 50% shares with voting rights in the investee, it is generally considered that the Group has significant influence on the investee. For voting rights less than 20% in the investee, the board or representative in similar authority in the investee or the implementation processes of financial or operation policies of investee have also been taken into account, or significant transaction with the investee, or management personnel send to the investee, or significant technology information provided to the investee which have significant influence to the investee.

If the Group has control over an investee, it is a subsidiary of the Group. For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree which is negative on the date of combination, 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 Reporting Period in which the control is acquired. For example, for equity interests in investees under common control acquired in a series of transactions 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 fall under a series of transactions, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements of the ultimate controller, and accounted as the initial investment cost of long-term equity investment on the date of combination. 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 Reporting Period in which the control is acquired. For example, for equity interests in investees not under common control acquired in a series of transactions 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 a series of 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 investee 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.

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Investments in subsidiaries are accounted for the Group using cost method, while investments in the associates and joint ventures are accounted for under equity method.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be increased 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 investee, 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 investee. When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee 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 investee.

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 investee 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 investee directly disposing related assets or liabilities.

For loss of control in the investee due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the investee 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.

If the transactions from the step-by-step disposal of equity to the loss of controlling equity do not fall under a series of transactions, the Group shall separately carry out accounting treatment for each transaction. If the transaction fall under a series of transactions, each transaction is accounted for as a disposal of subsidiary with control lost. However, the difference between the consideration for each transaction before losing control and the carrying value of the long-term equity investments corresponding to the equity disposed of is recognised as other comprehensive income and transferred to profit or loss upon loss of control.

(18) 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 year, the Group separately carries out impairment test for long-term receivables, and credit impairment loss is recognised and provision for bad debts is made based on the difference from the present value of future cash flows lower than its book value.

(19) Investment properties

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

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The investment properties of the Group are depreciated or amortised using the straight-line method. The estimated useful life, net residual value ratio and annual depreciation (amortisation) rate are as follows:

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

(20) Fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or provision 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.

Apart from fixed assets which are provided in full and continue to be in use, 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.

(21) 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.

(22) Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can reached usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalization starts; When construction or assets that fulfil the capitalization conditions, and reached the expected usable or sale condition, capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

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(23) Right-of-use assets

On the commencement date of the lease term, the lessee recognises the right-of-use assets and lease liabilities for leases, except for short-term leases and low-value asset leases.

1. *The right-of-use assets shall be initially measured at costs. Such costs include:*

- (1) The initial amount of measurement of the lease liabilities;
- (2) If there is a lease incentive for the lease payment paid on or before the commencement date of the lease term, the amount of the lease incentive that has been received shall be deducted;
- (3) Initial direct costs incurred by the lessee;
- (4) The cost that the lessee expects to occur for dismantling and removing the leased assets, restoring the site where the leased assets are, or restoring the leased assets to the agreed status under the terms of the lease terms.

2. *Subsequent measurement of Right-of-use assets*

After the commencement date of the lease term, the lessee shall make depreciation on the right-of-use assets with reference to the depreciation regulations of the Accounting Standards for Business Enterprises No. 4 - Fixed Assets. If the lessee can reasonably determine to obtain the ownership of the leased assets at the expiration of the lease term, the lessee shall make depreciation within the remaining useful life of the leased asset. If the lessee cannot reasonably determine to obtain the ownership of the leased asset at the expiration of the lease term, the lessee shall make depreciation at the shorter of the lease term and the remaining useful life of the leased asset.

(24) 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 amortises land use right on the basis of its useful life by straight-line method since it is acquired. The software is amortised on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortisation amount is accounted into related assets and current profit and loss. The Group makes the assessment on the estimated useful life and amortisation method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

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

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

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

Expenditure on the research phase is recognised in profit or loss for the period as incurred.

Expenditure on the development phase will be recognised as intangible assets while satisfying the following conditions:

- 1) It is technically feasible that the intangible asset can be used or sold upon completion;
- 2) There is intention to complete the intangible asset for use or sale;
- 3) There is evidence that the products produced using the intangible asset having a market or the intangible asset itself has a market;
- 4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- 5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed in prior periods is not recognised as an asset in subsequent period. Capitalised expenditure on the development phase are stated in the balance sheet as "Development Expenditure" and transfer to as "Intangible assets" when they become ready for their intended use.

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(25) 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.

(26) Long-term prepaid expenses

The Group's long-term prepaid expenses included plant renovation expense and berth sideway renovation expense. The expenses are amortised evenly over the estimated benefit period. If the long-term prepaid expenses are no longer beneficial to the subsequent accounting periods, the unamortised balance is then fully transferred to profit or loss for the period. The amortisation period of plant renovation expense and berth sideway renovation expense ranges from 2-6 years.

(27) Contract liabilities

Contract liabilities represent the Group's obligations to transfer goods to customers for the consideration received or receivable from customers. If before the Group transfers goods to a customer, the customer has paid the contract consideration or the Group has received the right to unconditionally receive the contract consideration, contract liabilities are recognised based on the amount received or receivable at the payment of consideration by the customer or the maturity of the consideration payable, whichever is earlier.

(28) Employee benefits

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

Short-term compensation mainly includes wages, bonuses, medical insurance, injury insurance, maternity insurance, supplemental medical insurance, housing fund, union funds and workers education, outsourcing labour 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.

There are defined benefit plans for Huangpu Wenchong, Wenchong Shipyard and Wenchong Dockyard, being subsidiaries of the Company. 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.

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.

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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 period at the earlier of the following dates: (i) when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer. (ii) when the Group recognises and pays 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.

(29) Estimated liabilities

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

(30) lease liabilities

On the commencement date of the lease term, the lessee should recognise the right-of-use asset and the lease liability for the lease (except for short-term leases and low-value asset leases).

The lease liabilities shall be initially measured at the present value of the lease payments that have not been paid as at the commencement date of the lease term.

The lessee shall calculate the interest expense of the lease liabilities for each period of the lease term according to the fixed periodic interest rate, and includes it into the current profit or loss.

(31) 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 production safety fees set aside by the Group are included in the cost of the relevant products and the "Special reserve" item. 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 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.

(32) 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 in time, and subsequently recognize 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 in 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.

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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.

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 operating income is mainly derived from shipbuilding and offshore engineering products, ship maintenance, electromechanical products and steel structures. The policies and methods for revenue recognition are as follows:

1) *Shipbuilding and offshore engineering products*

The 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 contract 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 maintenance*

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

3) *Steel structures and electromechanical products*

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.

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(33) 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 national documents, should also be capitalised in nature, and therefore shouldn't be recognised as government grants.

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

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

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

If the relevant asset is sold, transferred, scrapped or damaged before the end of its useful life, the relevant deferred income balance that has not been allocated is transferred to the profit or loss for the current period for disposal of the asset.

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

Where the Group has obtained loan interest subsidy, different accounting treatment will be applied to two categories, being the payment of interest subsidy to the lending bank and the allocation of interest subsidy to the Group, in accordance with the following principles:

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

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

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

(34) 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 initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from 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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(35) Leases

1. Operating leases

(1) Lessor

During each period of the lease term, the lessor recognises the lease receivables of operating leases as rental income using the straight-line method.

The initial direct expenses incurred by the lessor in relation to the operating leases shall be capitalized and apportioned on the same basis as the rental income recognition during the lease term, and included in current profit or loss.

(2) Lessee

On the commencement date of the lease term, the lessee should recognise the right-of-use assets and lease liabilities for leases (excluding short-term leases and low-value asset leases). For details, pls refer to the right-of-use assets and lease liabilities.

2. Finance leases

On the commencement date of the lease term, the lessor shall recognise the finance lease receivables for the finance leases and terminate the recognition of the assets under the finance leases.

When the receivables of the finance leases are initially measured, the lessor shall account for the net lease investment as the value of the receivables of finance leases.

The lessor shall calculate and recognise interest income for each period of the lease term at a fixed periodic interest rate.

The variable lease payments received by the lessor that are not included in the net amount of the lease investment shall be recognised in current profit or loss when they are incurred.

(36) Held-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 assets held for sale.
2. Non-current assets or disposal groups which the Group acquired specifically for disposal, satisfy the requirement of "expected completion of disposal within one year" on the date of acquisition, and is probable to satisfy conditions of other available-for-sale classifications in the short term (usually within 3 months) are classified as available-for-sale on the date of acquisition. At initial measurement, the initial measurement assuming that it is not classified as held-for-sale and the net value of fair value less disposal expenses are compared, and the lower of the two is measured. Other than non-current assets or disposal groups acquired through corporate merger, the difference arising from recognising the net value of fair value of non-current assets or disposal groups less disposal expenses as initial measurement is recognised in profit and loss in the current period.
3. Where the Group has lost control of a subsidiary due to reasons such as disposal of investment in a subsidiary, regardless of the Group retaining part equity investment after the disposal, upon the investment in subsidiary intended to be disposed of satisfying the conditions for classification as held as available-for-sale, the investment in subsidiary will be generally classified as held as available-for-sale in the parent's separate financial statements, and all assets and liabilities of the subsidiary is classified as held as available-for-sale in the consolidated financial statements.
4. Where there is increase in net value of fair value less disposal expenses for non-current assets held as available-for-sale on subsequent balance sheet dates, the previously charged difference should be recovered and reversed in asset impairment loss recognised after classification as held as available-for-sale investment, with the reversal amount recognised in profit and loss in the current period. Asset impairment loss recognised before classification as held as available-for-sale investment is not reversible.
5. Asset impairment loss recognised for disposal groups held as available-for-sale is first offset against the book value of goodwill of the disposal group and then offset against the book values proportionally according to the share of book value of each non-current asset.

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

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

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

(37) 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.

(38) Segment information

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

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

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

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

(39) 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 results might differ from these estimates. The management of the Group continues to evaluate the uncertain factors and key assumptions that affect estimates. The changes on accounting estimates effects should be recognised in the current year or carry forward.

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

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1. *Provision for bad debts of receivables*

As stated in Note IV.12 and Note IV.13, the Group assesses on the balance sheet date whether the credit risk of receivables has significantly increased since initial recognition to determine the expected credit loss on receivables. The objective evidence for impairment includes data which indicate that the future cash flow for individual or combined receivables has significantly decreased; data which indicate that the debtors for individual or combined accounts receivable experienced negative financial issues. If there is objective evidence indicating that the value of the receivables is recovered and the recovery is related objectively to events occurring after the impairment was recognised, the previously recognised expected credit loss is reversed.

2. *Provision for impairment of inventories*

As stated in Note IV.14, the Group estimates net realisable value of inventories on a regular basis, and the difference of inventory cost higher than net realisable value is recognised as loss on impairment of inventories. The Group estimates the net realisable value of inventories 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 realisable value. Therefore, the estimation according to current experience would be different from the actual value, resulting in adjustment to 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.

3. *Provision for impairment of assets relating to contract costs*

As stated in Note IV.16, 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 excess, and the loss on impairment of assets and contract performance cost shall also increase. The accounting estimates for shipbuilding and offshore engineering products 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.

4. *Provision for impairment of long-term receivables*

As stated in Note IV.18, 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.

5. *Accounting estimates for provision for impairment of fixed assets*

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.

6. *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.

7. *Useful life for fixed assets and intangible assets*

The Group would review the estimated useful life for fixed assets and Intangible assets at year-end for at least once a year. The estimated useful life is determined by the management based on previous experience, and that of the same industry, together with the upgrade of technology. If the previous experience changes significantly, the Group needs to adjust the depreciation expense and amortisation expense in the future years.

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8. Estimated total contract cost

The Group reviews the estimated total contract cost 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.

(40) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

(1) Details of and reason for changes

On 7 December 2018, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 21 – Leases (hereinafter referred to as “New Lease Standards”), requiring companies listed at the same time both domestically and overseas, and listed overseas and adopting IFRS or Accounting Standards for Business Enterprises to prepare financial statements, to implement the New Lease Standards since 1 January 2019.

The Group implemented the New Lease Standards from 1 January 2019, and adjusted the relevant accounting policies. The adjusted accounting policies are detailed in Note IV (23), (30) and (35).

(2) Principal impacts of changes

The New Lease Standards replaces the Accounting Standards for Business Enterprises No. 21 – Leases, issued in the Notice of the Ministry of Finance on Releasing 38 Specific Standards including <Accounting Standards for Business Enterprises No. 1 – Inventories>(CaiKuai [2006] No. 3) promulgated by the Ministry of Finance on 15 February 2006(collectively referred to as the Original Lease Standards).

Under the Original Lease Standards, the lessee needs to distinguish between operating leases and financial leases, and only requires accounting for financial leases. The accounting treatment in the case of option revaluation or contract change after the start date of the lease period is not regulated. If the lessor has an operating lease, it only requires the lessor to disclose the carrying value of each type of leased asset.

Under the New Lease Standards, the lessee no longer divides the lease into an operating lease or a finance lease, but adopts a uniform accounting treatment model to identify right-of-use assets and lease liabilities for all leases other than short-term leases and low-value asset leases, and depreciation and interest expenses are provided respectively. The New Lease Standards clearly stipulate that when a major event or change within the controllable scope of the lessee occurs, and which will impact that whether the lessee is reasonably certain that the option will be exercised, then the lessee should determine whether it will reasonably exercise the option to renew the lease, purchase option or not exercise the lease termination option to re-evaluate. The lessor needs to disclose information such as the relevant rental income and the undiscounted lease receipts.

The Group analyzed the classification and other changes of the lessee’s operating leases and finance leases, so as to assess the impact of the New Lease Standards on the financial statements. According to the New Lease Standards, the right-of-use assets and lease liabilities were recognized on 1 January 2019 respectively, but it hadn’t impact on the owner’s equity as at 1 January 2019.

The impacts on the relevant items in the consolidated financial statements are as follows:

Item	31 December 2018	1 January 2019	After adjustment
Total assets	47,475,344,086.37	47,674,684,587.19	199,340,500.82
Including: Right-of-use assets		199,340,500.82	199,340,500.82
Total liabilities	33,118,933,538.30	33,318,274,039.12	199,340,500.82
Including: Lease liabilities		152,171,100.46	152,171,100.46
Other current liabilities	182,190,818.20	229,360,218.56	47,169,400.36
Total owners’ equity	14,356,410,548.07	14,356,410,548.07	

The implementation of the New Lease Standards by the Group has no impact on the items of statements of the Parent Company.

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2. Information on the relevant items in financial statements as at the beginning of the year as a result of the first-time adoption of the New Lease Standards

Item	Consolidated Balance Sheet		Adjustment
	31 December 2018	1 January 2019	
Current assets:			
Cash at bank and on hand	10,337,887,158.50	10,337,887,158.50	
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading	11,685,155.01	11,685,155.01	
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	130,810,712.06	130,810,712.06	
Accounts receivable	2,562,295,160.42	2,562,295,160.42	
Receivable financing			
Prepayments	3,020,857,780.23	3,020,857,780.23	
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	326,086,350.28	326,086,350.28	
Including: Interest receivable	46,907,817.53	46,907,817.53	
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	4,955,993,857.79	4,955,993,857.79	
Contract assets	6,860,770,802.28	6,860,770,802.28	
Assets held for sale			
Non-current assets due within one year	463,415,968.00	463,415,968.00	
Other current assets	365,378,116.05	365,378,116.05	
Total current assets	29,035,181,060.62	29,035,181,060.62	
Non-current assets:			
Loans and advances to customers			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables	1,976,516,046.20	1,976,516,046.20	
Long-term equity investments	740,935,298.11	740,935,298.11	
Investments in other equity instruments	63,403,225.93	63,403,225.93	
Other non-current financial assets			
Investment properties	21,622,651.52	21,622,651.52	
Fixed assets	12,046,436,020.38	12,046,436,020.38	
Construction in progress	762,567,676.87	762,567,676.87	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		199,340,500.82	199,340,500.82
Intangible assets	2,084,830,278.97	2,084,830,278.97	
Development expenses			
Goodwill	144,231,195.67	144,231,195.67	
Long-term prepaid expenses	79,285,603.23	79,285,603.23	
Deferred tax assets	440,083,496.90	440,083,496.90	
Other non-current assets	80,251,531.97	80,251,531.97	
Non-Total current assets	18,440,163,025.75	18,639,503,526.57	199,340,500.82
Total assets	47,475,344,086.37	47,674,684,587.19	199,340,500.82

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Item	Consolidated Balance Sheet		Adjustment
	31 December 2018	1 January 2019	
Current liabilities			
Short-term borrowings	4,304,387,255.88	4,304,387,255.88	
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading	431,894,056.78	431,894,056.78	
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	2,730,396,298.20	2,730,396,298.20	
Accounts payable	7,958,832,249.26	7,958,832,249.26	
Advances from customers			
Contract liabilities	7,112,391,961.78	7,112,391,961.78	
Financial assets sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	41,351,166.51	41,351,166.51	
Taxes payable	48,140,024.18	48,140,024.18	
Other payables	336,922,424.57	336,922,424.57	
Including: Interest payable	16,734,825.58	16,734,825.58	
Dividends payable	304,042.49	304,042.49	
Handling fees and commissions payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	4,414,000,000.00	4,414,000,000.00	
Other current liabilities	182,190,818.20	229,360,218.56	47,169,400.36
Total current liabilities	27,560,506,255.36	27,607,675,655.72	47,169,400.36
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	4,339,619,500.00	4,339,619,500.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		152,171,100.46	152,171,100.46
Long-term payables	99,370,000.00	99,370,000.00	
Long-term employee benefits payable	248,554,297.66	248,554,297.66	
Estimated liabilities	802,016,709.10	802,016,709.10	
Deferred income	59,916,128.16	59,916,128.16	
Deferred tax liabilities	8,950,648.02	8,950,648.02	
Other non-current liabilities			
Non-Total current liabilities	5,558,427,282.94	5,710,598,383.40	152,171,100.46
Total liabilities	33,118,933,538.30	33,318,274,039.12	199,340,500.82

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Item	Consolidated Balance Sheet		Adjustment
	31 December 2018	1 January 2019	
Owners' equity (or shareholders' equity):			
Paid-up capital (share capital)	1,413,506,378.00	1,413,506,378.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	9,549,580,748.34	9,549,580,748.34	
Less: Treasury shares			
Other comprehensive income	-45,615,426.57	-45,615,426.57	
Special reserve	1,226,639.50	1,226,639.50	
Surplus reserve	962,441,825.31	962,441,825.31	
Provision for general risks			
Undistributed profit	-2,153,702,475.37	-2,153,702,475.37	
Total equity attributable to owners or shareholders of the Company	9,727,437,689.21	9,727,437,689.21	
Minority interests	4,628,972,858.86	4,628,972,858.86	
Total equity of owners or shareholders	14,356,410,548.07	14,356,410,548.07	
Total liabilities and equity of owners or shareholders	47,475,344,086.37	47,674,684,587.19	199,340,500.82
Item	Balance Sheet of the Parent Company		Adjustment
	31 December 2018	1 January 2019	
Current assets:			
Cash at bank and on hand	99,371,121.05	99,371,121.05	
Financial assets held-for-trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	46,428,670.20	46,428,670.20	
Receivable financing			
Prepayments	2,100,230.64	2,100,230.64	
Other receivables	9,520,031.06	9,520,031.06	
Including: Interest receivable	558,431.55	558,431.55	
Dividends receivable			
Inventories	98,897,393.27	98,897,393.27	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	761,163,163.71	761,163,163.71	
Total current assets	1,017,480,609.93	1,017,480,609.93	

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Item	Balance Sheet of the Parent Company		Adjustment
	31 December 2018	1 January 2019	
Non-current assets:			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	7,921,435,986.83	7,921,435,986.83	
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	70,839,970.49	70,839,970.49	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	10,468,726.74	10,468,726.74	
Development expenses			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets	20,000,000.00	20,000,000.00	
Other non-current assets	633,860,105.78	633,860,105.78	
Non-Total current assets	8,656,604,789.84	8,656,604,789.84	
Total assets	9,674,085,399.77	9,674,085,399.77	
Current liabilities:			
Short-term borrowings	650,000,000.00	650,000,000.00	
Financial liabilities held-for-trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	58,845,591.58	58,845,591.58	
Advances from customers			
Contract liabilities	65,497,566.97	65,497,566.97	
Employee benefits payable			
Taxes payable	3,217,292.29	3,217,292.29	
Other payables	41,994,848.71	41,994,848.71	
Including: Interest payable	731,881.94	731,881.94	
Dividends payable	304,042.49	304,042.49	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities	77,418.16	77,418.16	
Total current liabilities	819,632,717.71	819,632,717.71	

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Item	Balance Sheet of the Parent Company		Adjustment
	31 December 2018	1 January 2019	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	99,370,000.00	99,370,000.00	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Non-Total current liabilities	99,370,000.00	99,370,000.00	
Total liabilities	919,002,717.71	919,002,717.71	
Owners' equity (or shareholders' equity):			
paid-up capital (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	720,977,633.51	720,977,633.51	
Total equity of owners or shareholders	8,755,082,682.06	8,755,082,682.06	
Total liabilities and equity of owners or shareholders	9,674,085,399.77	9,674,085,399.77	

3. Description of comparison data prior period with retrospective adjustment as a result of the first-time adoption of the New Lease Standards

Based on the connection rules as a result of the first-time adoption of the New Lease Accounting Standards, the Group adopts a simplified approach to the operating leases before the first execution date, that is, based on the remaining lease payment, use the current value discounted at incremental borrowing rate on the first execution date as at the first execution date to measure lease liabilities, and chooses the amount equal to lease liabilities to measure right-of-use assets, which does not involve adjustments to retained earnings at the beginning of the period, nor adjust the information for comparable periods.

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V. TAXATION

(1) Main taxes and rates

	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%, 13%
	Revenue from construction and installation business	10%, 9%
	Modern services industry	6%
– City maintenance and construction tax	Turnover tax payable	7%
– Educational surcharge	Turnover tax payable	3%
– Local educational surcharge	Turnover tax payable	2%

Note: In accordance with the Announcement of the Ministry of Finance, the Tax Administration and the General Administration of Customs on Deepening the Policies Related to Value-Added Tax Reform (Cai Shui Hai Announcement [2019] No. 39), with effect from 1 April 2019, the rates of value-added tax for the taxable sales or imports of goods of the Group had been changed from 16% and 10% to 13% and 9%, respectively.

Notes on taxpayers subject to different enterprise income tax rates:

Name of entity	Tax rate	Remarks
The Company	25%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Guangzhou Wenchong Shipyard Co., Ltd.	15%	
Guangzhou Hongfan Computer Technology Co., Ltd.	15%	
Guangzhou Wenchong Dockyard Co., Ltd.	15%	
Glory Group Development Limited	16.50%	Incorporated in Hong Kong
Fonkwang Development Limited	16.50%	Incorporated in Hong Kong
Wah Shun International Marine Limited	16.50%	Incorporated in Hong Kong
WahLoong International Marine Limited	16.50%	Incorporated in Hong Kong
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprise
Guangzhou Xingji Maritime Engineering Design Co., 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% for ship products, 9% for steel structure products and 15% for large equipment. Since 1 April 2019, the original 16% tax rate is adjusted to 13%; the original 10% tax rate is adjusted to 9%; for those export service with original 16% tax rate and export tax rebate rate of 16%, the export tax rebate rate is adjusted to 13%; for export goods and cross-border taxable activities with original application of 10% tax rate and export tax rebate rate of 10%, the export tax rebate rate is adjusted to 9%.

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

Huangpu Wenchong, the subsidiary of the Company, passed again the review of high-tech enterprises in 2018, and obtained the Certificate of Hi-tech Enterprise with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%.

Wenchong Shipyard, the subsidiary of the Company, passed again the review of high-tech enterprises in 2019, and obtained the Certificate of Hi-tech Enterprise with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%.

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

Hongfan Technology, the subsidiary of the Company, passed the review of high-tech enterprises in 2017, and obtained the Certificate of Hi-tech Enterprise with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%.

Wenchong Dockyard, the subsidiary of the Company, passed the review of high-tech enterprises in 2018, and obtained the Certificate of Hi-tech Enterprise with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%.

GSI, the subsidiary of the Company, passed again the review of high-tech enterprises in 2017, and obtained the Certificate of Hi-tech Enterprise with a validity period of three years. As it did not choose preferential taxation treatment, its enterprise income tax for the Reporting Period continued to be paid at a rate of 25%.

VI. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial statement data disclosed below, unless otherwise stated, "Beginning balance" refers to the balance as at 1 January 2019; and "Ending balance" refers to the balance as at 30 June 2019. "Current period" refers to the period from 1 January 2019 to 30 June 2019; and "Corresponding period of last year" refers to the period from 1 January 2018 to 30 June 2018.

Due to the adoption of the New Lease Standards in the current period, the balance of some items of the statements as at 1 January 2019 is inconsistent with the balance of 31 December 2018. The year-opening balance referred in the notes to the financial statements is an explanation to the balance as at 1 January 2019 disclosed in note IV (40) of the financial statements, and not an explanation to the balance as at 31 December 2018 disclosed in the financial statements.

(1) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash in hand	193,091.04	194,222.52
Bank deposits	5,177,149,776.18	8,536,592,047.52
Other cash at bank and on hand	1,856,357,178.86	1,801,100,888.41
Total	7,033,700,046.08	10,337,887,158.50
Including: Total amount deposited overseas	105,416,052.09	110,172,735.06

Breakdown of restricted cash at bank and on hand

Item	Ending balance	Beginning balance
Deposit for bank acceptance bills	1,195,825.72	771,994.40
Deposit for letters of guarantee and letters of credit	150,744,593.56	246,777,070.05
Fixed deposits or notice deposits for guarantee	7,223,779.98	
Foreign exchange forward contract bond	21,321,407.54	11,048,448.82
Fixed deposits with a term of over 3 months	1,953,000,000.00	1,522,000,000.00
Special housing fund for employees	13,284,378.30	13,245,001.02
Project security deposit		6,423,779.98
Other deposits	38,606,009.09	805,509.14
Total	2,185,375,994.19	1,801,071,803.41

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

(2) Financial assets held-for-trading

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	47,015,330.33	11,685,155.01
Including:		
Forward exchange contracts	47,015,330.33	11,685,155.01
Financial assets at fair value through profit or loss		
Total	47,015,330.33	11,685,155.01

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

Item	Ending fair value	Beginning fair value
Listed		
Unlisted	47,015,330.33	11,685,155.01
Total	47,015,330.33	11,685,155.01

Other description:

The Group's financial assets at fair value through profit or loss are all forward exchange contracts. At measurement date, the public price of 3 banks before adjustment was 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 foreign exchange settlement contract, choose the highest price to be input value, fair value = exchange price x (contract rate – quoted price)/Number of years of discount rate.

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

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 receivable

1. Types of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	61,186,175.25	83,544,762.52
Commercial acceptance bills	41,593,962.02	47,265,949.54
Total	102,780,137.27	130,810,712.06

Among the above notes receivable of the Group, RMB102,080,137.27 had an ageing of less than 180 days, and RMB700,000.00 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	109,491,349.46	
Commercial acceptance bills	118,215,300.00	
Total	227,706,649.46	

4. Notes transferred to accounts receivable at the end of period due to non-performance of drawers

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

5. Disclosure by the method using which the provision for bad debts is made

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Amount	Percentage (%)	Carrying value	Amount	Percentage of provision (%)	Carrying value
Provision for bad debts made on an individual basis										
Provision for bad debts made on a collective basis	102,780,137.27	100.00			102,780,137.27	130,810,712.06	100.00			130,810,712.06
Including:										
Due within one year	102,780,137.27	100.00			102,780,137.27	130,810,712.06	100.00			130,810,712.06
Total	102,780,137.27				102,780,137.27	130,810,712.06				130,810,712.06

(4) Accounts receivable

Item	Ending balance	Beginning balance
Accounts receivable	3,556,720,649.13	2,599,936,504.41
Less: Provision for bad debts	42,636,061.21	37,641,343.99
Net amount	3,514,084,587.92	2,562,295,160.42

1. Disclosure by ageing

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	3,378,144,962.11	16,816,771.04	0.50
1-2 years	103,546,553.35	3,849,040.07	3.72
2-3 years	38,236,286.17	1,047,964.76	2.74
3-4 years	9,717,922.32	259,112.84	2.67
4-5 years	8,917,724.88	6,039,982.30	67.73
Over 5 years	18,157,200.30	14,623,190.20	80.54
Total	3,556,720,649.13	42,636,061.21	1.20

(Continued)

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	2,081,143,908.20	11,024,919.02	0.53
1-2 years	367,021,421.08	5,658,962.57	1.54
2-3 years	89,601,945.13	945,758.24	1.06
3-4 years	38,876,710.70	1,367,823.98	3.52
4-5 years	7,008,378.15	4,324,220.61	61.7
Over 5 years	16,284,141.15	14,319,659.57	87.94
Total	2,599,936,504.41	37,641,343.99	1.45

Credit period of accounts receivable

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

2. Disclosure by the method using which the provision for bad debts is made

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying value	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying value
Provision for bad debts made on an individual basis	24,657,976.81	0.69	24,657,976.81	100.00		25,848,053.85	0.99	24,818,059.11	96.02	1,029,994.74
Including:										
Accounts receivable of which the credit risk has significantly increased since initial recognition	24,657,976.81	0.69	24,657,976.81	100.00		25,848,053.85	0.99	24,818,059.11	96.02	1,029,994.74
Provision for bad debts made on a collective basis	3,532,062,672.32	99.31	17,978,084.40	0.50	3,514,084,587.92	2,574,088,450.56	99.01	12,823,284.88	0.50	2,561,265,165.68
Including:										
Accounts receivable of which the credit risk has not significantly increased since initial recognition	3,532,062,672.32	99.31	17,978,084.40	0.50	3,514,084,587.92	2,574,088,450.56	99.01	12,823,284.88	0.50	2,561,265,165.68
Total	3,556,720,649.13	-	42,636,061.21	-	3,514,084,587.92	2,599,936,504.41	-	37,641,343.99	-	2,562,295,160.42

A. Provision for bad debts made on an individual basis:

Name of entity	Book balance	Ending balance		Reasons for provision
		Provision for bad debts	Percentage of provision (%)	
TENOVA AUSTRALIA PTY LTD	4,199,465.15	4,199,465.15	100.00	Very little chance of recovery
VARADA ONE PTE LTD	3,592,030.75	3,592,030.75	100.00	CITIC Insurance has paid for it, and the remaining debts cannot be recovered
GUANGZHOU HUAYU ELECTROMECHANICAL EQUIPMENT CO., LTD.	3,549,843.68	3,549,843.68	100.00	The counterparty lost the suit but has no executable property
WHL-FONKWANG	2,803,318.60	2,803,318.60	100.00	Long overdue and there are signs of impairment
CONTSHIPS MANAGEMENT INC	2,062,410.00	2,062,410.00	100.00	Quality problems, and the remaining debts cannot be recovered
FAIRLAND ENTERPRISES LIMITED	1,711,800.30	1,711,800.30	100.00	CITIC Insurance has paid for it, and the remaining debts cannot be recovered
EVALEND SHIPPING CO.S.A.	1,368,092.80	1,368,092.80	100.00	The balance cannot be recovered
GUANGZHOU NANFANG SPECIAL COATING CO., LTD.	1,186,418.63	1,186,418.63	100.00	The balance cannot be recovered
Other companies	4,184,596.90	4,184,596.90	100.00	Very little chance of recovery
Total	24,657,976.81	24,657,976.81	100.00	

Description of provision for bad debts made on an individual basis:

The Group determines the accounts receivable with an ageing of over one year since date of initial recognition and for which there are indications of impairment to be the accounts receivable the credit risk of which has significantly increased since initial recognition, and determine expected credit loss and make provision for bad debts based on the difference between the carrying amount of the accounts receivable and the present value of the cash flows expected to be received for the accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

B. Provision for bad debts made on a collective basis:

Accounts receivable of which the credit risk has not significantly increased since initial recognition

Name	Ending balance		Percentage of provision (%)
	Accounts receivable	Provision for bad debts	
Within one year	3,364,801,868.32	17,141,780.38	0.50
1-2 years	118,181,073.41	590,905.37	0.50
2-3 years	38,493,021.02	192,465.11	0.50
3-4 years	4,617,883.45	23,089.42	0.50
4-5 years	2,586,880.23	12,934.40	0.50
Over 5 years	3,381,945.89	16,909.72	0.50
Total	3,532,062,672.32	17,978,084.40	-

Recognition criteria and description of provision for bad debts made on a collective basis:

The Group determines the accounts receivable which have not been tested individually for impairment to be the accounts receivable the credit risk of which has not significantly increased since initial recognition. Based on the actual credit loss for previous years and considering forwarding information for the period, the Group expects the default loss ratio to be 0.5%, determines the expected credit loss of accounts receivable and makes provision for bad debts based on 0.5% of the balance at the balance sheet date.

3. Provision for bad debts

	Beginning balance	Amount of changes during the period		Ending balance
		Provision	Recovered or reversed	
Provision for bad debts of accounts receivable	37,641,343.99	5,073,243.03	-78,525.81	42,636,061.21
Total	37,641,343.99	5,073,243.03	-78,525.81	42,636,061.21

Provision for bad debts made, reversed or recovered during the period: none.

4. Accounts receivable written-off during the period

None

5. 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 (%)	Ending balance of provision for bad debts
Entity 1	Third party	654,161,755.00	Within 3 years	18.39	3,270,808.78
Entity 2	Third party	546,826,100.00	Within one year	15.37	2,734,130.50
Entity 3	Third party	240,614,500.00	Within one year	6.77	1,203,072.50
Entity 4	Third party	231,217,794.25	Within one year	6.50	1,156,088.97
Entity 5	Third party	198,875,321.36	Within one year	5.59	994,376.61
Total		1,871,695,470.61		52.62	9,358,477.36

6. Accounts receivable derecognised arising from transfer of financial assets

None

7. Amounts of assets and liabilities transferred from accounts receivable with continuing involvement

None

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(5) Prepayments

1. Prepayments presented by ageing

Ageing	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	2,490,365,129.77	68.55	1,689,616,762.17	55.93
1-2 years	475,491,860.04	13.09	605,644,396.66	20.05
2-3 years	135,232,346.42	3.72	147,780,467.68	4.89
Over 3 years	531,871,959.33	14.64	577,816,153.72	19.13
Total	3,632,961,295.56	-	3,020,857,780.23	-

Reason for unsettled significant prepayments aged over one year

Name of entity	Relationship with the Company	Ending balance	Of which aged over one year	Amount aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for unsettlement
EMER INTERNATIONAL LIMITED	Third party	299,831,806.70	291,276,770.70	8.02	Over 2-3 years	Large equipment received in batches and not inspected and accepted
China Shipbuilding Trading Shanghai Co., Ltd.	Under common control of CSSC	239,894,266.37	239,894,266.37	6.60	Over 2-3 years	Large equipment received in batches and not inspected and accepted
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Under common control of CSSC	1,438,287,045.03	156,761,028.69	4.31	1-5 years	Project unsettled
China Shipbuilding Industry Corporation 712 Research Institute	Third party	115,995,000.00	115,995,000.00	3.19	1-2 years	Project unsettled
China Shipbuilding Industry Corporation 704 Research Institute	Third party	84,865,200.00	84,865,200.00	2.34	1-2 years	Project unsettled
Suzhou Ship Power System Co., Ltd.	Third party	28,728,000.00	28,728,000.00	0.79	1-2 years	Project unsettled
DAMEN SHIPYARDS GORINCHEM	Third party	47,569,562.05	28,490,837.25	0.78	1-3 years	Project unsettled
China Shipbuilding Industry Corporation 718 Research Institute	Third party	17,537,100.00	15,258,600.00	0.42	1-2 years	Project unsettled
Harbin Engineering University	Third party	14,000,000.00	14,000,000.00	0.39	1-2 years	Project unsettled
AB Ship Scanmarine AB	Third party	12,091,941.01	9,433,294.42	0.26	1-3 years	Project unsettled
China United Shipbuilding Company Limited	Under common control of CSSC	36,874,050.75	8,976,812.94	0.25	1-5 years	Project unsettled
Shanghai Haixun Electrical Engineering Co., Ltd.	Under common control of CSSC	8,951,600.00	8,951,600.00	0.25	1-2 years	Project unsettled
Zentech Incorporated	Third party	6,055,339.38	6,055,339.38	0.17	2 years	Large equipment received in batches and not inspected and accepted
TTS Bohai Trading (Dalian) Co. Ltd	Third party	5,016,923.41	1,976,603.41	0.05	3-4 years	Large equipment received in batches and not inspected and accepted
Total		2,355,697,834.7	1,010,663,353.16	27.82		

2. 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.	1,438,287,045.03	1-5 years	39.59
EMER INTERNATIONAL LIMITED	299,831,806.70	Over 2 years	8.25
China Shipbuilding Trading Shanghai Co., Ltd.	239,894,266.37	Over 2 years	6.60
China Shipbuilding Industry Corporation 712 Research Institute	115,995,000.00	1-2 years	3.19
China National Machinery Import & Export Corporation	94,665,458.24	Within one year	2.61
Total	2,188,673,576.34		60.24

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(6) Other receivables

Item list

Item	Ending balance	Beginning balance
Interest receivable	28,584,999.26	46,907,817.53
Dividends receivable	185,273.02	
Other receivables	964,841,863.00	279,178,532.75
Total	993,612,135.28	326,086,350.28

1. Interest receivable

(1) Breakdown of interest receivable

Item	Ending balance	Beginning balance
Fixed deposit	15,260,276.13	40,612,815.45
Entrusted loans		
Bond investments		
Others	13,324,723.13	6,295,002.08
Total	28,584,999.26	46,907,817.53

(2) Significant overdue interest

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

(3) Information on provision for bad debts made

The Group's interest receivable as at the end of the period represented interest on deposits with bank and other financial institutions and will be recovered within one year. No provision for bad debts had been made by the Group.

2. Dividends receivable

(1) Dividends receivable

Project (or investee)	Ending balance	Beginning balance
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	185,273.02	

(2) Significant dividends receivable aged over one year

As at the end of the period, the Company had no dividends receivable aged over one year.

(3) Information on provision for bad debts made

None

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

3. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	1,009,302,953.24	320,145,263.97
Less: Provision for bad debts	44,461,090.24	40,966,731.22
Net amount	964,841,863.00	279,178,532.75

(1) Breakdown of other receivables by nature

Nature of amount	Book balance as at the end of the period	Book balance as at the beginning of the period
Refundable deposit	62,165,013.99	145,653,939.07
Temporary payments receivable	15,201,067.87	1,135,358.52
Reserve funds	20,255,485.41	14,462,154.23
Receivable from former shareholders of Wenchong Dockyard for its profit or loss during the transition period attributable to them	69,907,298.04	69,907,298.04
Other current account	155,774,087.93	88,986,514.11
Compensation for relocation	686,000,000.00	
Total	1,009,302,953.24	320,145,263.97

(2) Information on provision for bad debts made

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	
Beginning balance		1,038,728.38	39,928,002.84	40,966,731.22
Beginning balance at current period		-	-	-
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the current period		3,804,232.98	148,646.95	3,952,879.93
Reversed during the current period			458,520.91	458,520.91
Offset during the current period				
Written off during the current period				
Other changes				
Ending balance		4,842,961.36	39,618,128.88	44,461,090.24

Information on the significant changes in the book balance of other receivables in the current period which have changes in loss provision:

① Information on the book balance of provision for bad debts made for other receivables on a collective basis at stage 2:

Name of portfolio	Ending balance		Percentage of provision (%)
	Other receivables	Provision for bad debts	
Within one year (including one year)	920,281,372.03	4,728,854.10	0.51
1-2 years	17,544,009.50	66,809.81	0.38
2-3 years	9,664,382.36	10,552.74	0.11
3-4 years	12,101,593.97	1,174.14	0.01
4-5 years	317,461.96	313.30	0.10
Over 5 years	7,054,454.00	35,257.27	0.50
Total	966,963,273.82	4,842,961.36	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

- ② Information on the book balance of provision for bad debts made for other receivables on an individual basis at stage 3:

Name of entity	Book balance	Amount of bad debts	Percentage of provision (%)	Reasons for provision
Guangzhou Nanfang Special Coating Co., Ltd.	22,710,790.62	22,710,790.62	100.00	Note 1
Guangzhou International Trust and Investment Corporation	10,340,232.15	10,340,232.15	100.00	Note 2
Guangzhou Yuyi Marine Engineering Co., Ltd.	3,876,005.54	1,154,455.00	29.78	Unrecoverable
Dongguan Qianyang Electromechanical Equipment Co., Ltd.	3,347,207.57	3,347,207.57	100.00	Unrecoverable
Yantai Jiatai Ship Engineering Co., Ltd.	1,757,548.59	1,757,548.59	100.00	Unrecoverable
People's Court of Guangzhou Nansha District	148,646.95	148,646.95	100.00	Unrecoverable
Guangzhou Zhicheng Electromechanical Equipment Leasing Co., Ltd.	59,400.00	59,400.00	100.00	Unrecoverable
Municipal Urban Construction Archives	57,600.00	57,600.00	100.00	Unrecoverable
Yantai Chenming Machinery Co., Ltd.	20,000.00	20,000.00	100.00	Unrecoverable
Guangdong Machinery Import & Export Co., Ltd.	9,500.00	9,500.00	100.00	May be unable to recover
Guangzhou Huafeng Electromechanical Equipment Co., Ltd.	3,650.00	3,650.00	100.00	The enterprise went bankrupt
Reserve funds	9,098.00	9,098.00	100.00	Unrecoverable
Total	42,339,679.42	39,618,128.88	-	-

Note 1: Guangzhou Nanfang Special Coating Co., Ltd., a subsidiary of Wenchong Dockyard, applied on 2 May 2018 to the People's Court of Huangpu District, Guangzhou for bankruptcy, which issued a civil ruling ((2018) Yue 0112 Po Shen No. 3) and accepted the application made by Guangzhou Nanfang Special Coating Co., Ltd. for bankruptcy and liquidation in accordance with the law on 12 May 2018. Currently such company is insolvent and Wenchong Dockyard expects to be unable to recover such debts and has made full provision for bad debts.

Note 2: 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 the creditor's right of Guangzhou Guoxin Economic Development Co., Ltd., its subsidiary, 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 the end of 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 reviewed and verified 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.

- (3) Ageing analysis of other receivables

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	920,453,668.98	4,901,151.05	0.53
1-2 years	17,544,009.50	66,809.81	0.38
2-3 years	9,664,382.36	10,552.74	0.11
3-4 years	13,859,142.56	1,758,722.73	12.69
4-5 years	317,461.96	313.30	0.10
Over 5 years	47,464,287.88	37,723,540.61	79.48
Total	1,009,302,953.24	44,461,090.24	4.41

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

Ageing	Beginning balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	203,557,730.69	666,867.64	0.33
1-2 years	62,715,750.39	313,578.75	0.50
2-3 years	3,476,026.41	17,380.13	0.50
3-4 years	1,907,364.38	1,197,634.04	62.79
4-5 years	266,264.69	1,331.32	0.50
Over 5 years	48,222,127.41	38,769,939.34	80.40
Total	320,145,263.97	40,966,731.22	12.80

(4) *Provision for bad debts*

Type	Change in the current period				
	Beginning balance	Ending balance	Provision made	Recovered or reversed	Offset or written off
Other receivables					
Provision for bad debts	40,966,731.22	3,952,879.93	-458,520.91		44,461,090.24

(5) *Other receivables written-off during the current period*

None

(6) *Top five other receivables by ending balance of debtors*

Name of entity	Nature of amount	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debts
Guangzhou Wenchong Industrial Co., Ltd.	Compensation for relocation	686,000,000.00	Within one year	67.97	3,430,000.00
China State Shipbuilding Corporation Limited	Profit and loss of settlement period of adjustment to statements of Wenchong Dockyard	69,907,298.04	Within one year	6.93	349,536.49
Guangzhou Nanfang Special Coating Co., Ltd.	Payment for projects	22,710,790.62	Over 3 years	2.25	22,710,790.62
China Ping An Property Insurance Co., Ltd.	Claims for insurance maintained for first piece (set)	18,400,000.00	Within one year	1.82	92,000.00
Konwin International Limited	Other current account	10,340,232.15	Over 5 years	1.02	10,340,232.15
Total		807,358,320.81		79.99	36,922,559.26

(7) *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

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(7) Inventories

1. Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment of inventories/ performance cost provision for impairment of contract	Carrying value	Book balance	Provision for impairment of inventories/ performance cost provision for impairment of contract	Carrying value
Raw materials	1,548,499,744.80	26,784,695.20	1,521,715,049.60	1,714,660,355.45	27,743,733.93	1,686,916,621.52
Products in production	993,124,629.11	31,648,365.93	961,476,263.18	209,583,991.74	31,824,883.03	177,759,108.71
Finished goods	28,239,589.12		28,239,589.12	27,602,398.78	15,951.95	27,586,446.83
Contract performance cost	3,283,393,878.97	277,941,857.48	3,005,452,021.49	3,309,009,919.39	278,994,793.37	3,030,015,126.02
Goods in transit	14,363,870.07		14,363,870.07	33,716,554.71		33,716,554.71
Total	5,867,621,712.07	336,374,918.61	5,531,246,793.46	5,294,573,220.07	338,579,362.28	4,955,993,857.79

2. Provision for impairment of inventories and provision for impairment of contract performance cost

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision made	Others	Reversal or writing-off	Others	
Raw materials	27,743,733.93			959,038.73		26,784,695.20
Products in production	31,824,883.03			176,517.10		31,648,365.93
Finished goods	15,951.95				15,951.95	
Contract performance cost	278,994,793.37			1,052,935.89		277,941,857.48
Total	338,579,362.28			2,188,491.72	15,951.95	336,374,918.61

Note: provision for impairment of inventories made

Item	Basis for determination of net realisable value	Reason for reversal or offsetting during the period
Raw materials	Book cost higher than net realisable value (estimated disposal income less taxes)	Production reuse
Products in production	Book cost higher than net realisable value (estimated selling price less related selling costs and expenses)	Completed for sale
Finished goods	Book cost higher than net realisable value (estimated selling price less taxes)	

3. Note on capitalised borrowing costs included in ending balance of inventories

None

4. Note on amount of amortisation of contract performance cost for the period

The amount of amortisation of contract performance cost for the period was transferred to operating cost.

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(8) Contract assets

1. Information on contract assets

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Contract assets relating to shipbuilding	6,179,346,685.59		6,179,346,685.59	5,258,556,215.16		5,258,556,215.16
Contract assets relating to offshore engineering products	1,248,674,246.73		1,248,674,246.73	1,531,398,974.80		1,531,398,974.80
Contract assets relating to steel structure engineering	88,281,587.01		88,281,587.01	70,815,612.32		70,815,612.32
Total	7,516,302,519.33		7,516,302,519.33	6,860,770,802.28		6,860,770,802.28

2. Amount and reason for significant changes in carrying values of contract assets during the period

Item	Amount of change	Reason for change
Contract assets relating to shipbuilding	920,790,470.43	The contract is being performed and the date of recognition of contract revenue recognized based on contract performance progress is earlier than the date of receipt of consideration on due date
Contract assets relating to offshore engineering products	-282,724,728.07	Delivery of offshore engineering products leads to a reduction in contract assets
Contract assets relating to steel structure engineering	17,465,974.69	In this period, the number of in-hand steel structure projects increase, and most of them are at the beginning of construction, not yet reach the collection stage.
Total	655,531,717.05	/

3. Information on provision for impairment of contract assets during the period

As at the end of the period, all of the balances of contract assets of the Group arose from normal performance of contracts, and the date due for contractual payment had not arrived. No provision for impairment was made.

(9) Non-current assets due within one year

Item	Ending balance	Beginning balance
Long-term entrusted wealth management products due within one year	400,000,000.00	400,000,000.00
Long-term receivables due within one year		63,415,968.00
Total	400,000,000.00	463,415,968.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

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
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	70,000,000.00	2018/6/27	2019/7/10
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	200,000,000.00	2018/8/6	2019/8/8
Guangzhou Shipyard International Company Limited	CSSC Finance Company Limited	130,000,000.00	2018/9/27	2019/10/10
Total		400,000,000.00		

Description: GSI, a wholly-owned subsidiary of the Company, entered into an entrusted asset management contract and supplemental agreement with CSSC Finance Company Limited, 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 a one-off basis upon maturity. The record date for income is 20 December of each calendar year. GSI recognised the income from entrusted wealth management products confirmed by CSSC Finance as investment income and interest receivable for the period.

(10) Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	242,310,245.04	364,283,638.86
Prepaid enterprise income tax	1,336,251.79	1,094,477.19
Total	243,646,496.83	365,378,116.05

(11) Long-term receivables

1. Information on long-term receivables

Item	Ending balance				Beginning balance			
	Book balance	Provision for bad debts	Carrying value	Range of discount rate	Book balance	Provision for bad debts	Carrying value	Range of discount rate
Financing lease Including: Unrealized financing income Receipt in instalments for sale of goods	1,228,024,149.86	123,555,435.56	1,104,468,714.30	4%	1,044,512,529.12	123,575,049.90	920,937,479.22	4.5%
Compensation for assets relocation	1,077,702,329.46	5,671,753.05	1,072,030,576.41	3.07%	1,061,249,916.57	5,671,349.59	1,055,578,566.98	3.07%
Total	2,305,726,479.32	129,227,188.61	2,176,499,290.71		2,105,762,445.69	129,246,399.49	1,976,516,046.20	

Description: Compensation for assets relocation represents the present value of the compensation for assets relocation discounted recognised by GSI, a subsidiary of the Company which completed the relocation from Liwan Plant during the last period, based on the expected future cash flows of GSI 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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2. Long-term receivables Information on provision for bad debts made

	Stage 1 Expected credit losses for next 12 months	Stage 2 Expected credit losses during the whole life span (not credit impaired)	Stage 3 Expected credit losses during the whole life span (credit impaired)	Total
Provision for bad debts				
Beginning balance		5,999,845.27	123,246,554.22	129,246,399.49
Book balance of beginning long-term receivables at the period				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the current period		403.46		403.46
Reversed during the current period		19,614.34		19,614.34
Offset during the current period				
Written off during the current period				
Other changes				
Ending balance		5,980,634.39	123,246,554.22	129,227,188.61

(1) Information on the book balance of provision for bad debts made for long-term receivables on a collective basis at stage 2:

Name of portfolio	Long-term receivables	Provision for bad debts	Percentage of provision (%)
Long-term receivables not overdue	1,196,126,877.58	5,980,634.39	0.50

(2) Information on the book balance of provision for bad debts made for long-term receivables on an individual basis at stage 3:

Name of entity	Book balance	Balance of bad debts	Percentage of provision (%)	Reasons for provision
ZHONG XIN MARINE COMPANY LIMITED	124,573,877.18	34,792,076.60	27.93	注
Guangdong Yuanyang Transportation Co., Ltd.	147,551,968.44	29,850,393.69	20.23	
SHAOSHAN EIGHT SHIPPING LIMITED	133,250,562.41	29,395,778.58	22.06	
Shenzhen Shunchang Ocean Fishery Co., Ltd.	17,328,000.00	10,876,800.00	62.77	
Lomar Shipping	203,169,925.17	17,786,197.97	8.75	
BUSS	28,023,997.37	545,307.38	1.95	
Total	653,898,330.57	123,246,554.22	-	

Note: The above long-term receivables had been overdue, for which the Group recognised provision for bad debts based on the expected future net recoverable cash flows.

(3) Long-term receivables derecognised arising from transfer of financial assets

None

(4) Amounts of assets and liabilities transferred from long-term receivables with continuing involvement

None

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(12) Long-term equity investments

1. Breakdown of long-term equity investments

Investee	Beginning balance	Additional investment	Change for the period					Others	Ending balance	Ending balance of provision for impairment
			Decrease in investment	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	48,231,647.50			-2,231,570.53					46,000,076.97	
Guangzhou Zhongdan Ship Design Co., Ltd.	306,828.15			-489,986.33					-183,158.18	
Nanfang Environment Co., Ltd.	47,924,819.35			-1,741,584.20					46,183,235.15	
II. Associates	682,703,650.61	1,844,012.50		-311,410.38		72,404.81	-271,967.64		694,036,689.90	
Zhenjiang China Marine-Xianda Generating Co., Ltd.	46,729,503.67			-1,060,454.49		72,404.81			45,741,453.99	
CSSC Chengxi Yangzhou Shipbuilding Company Limited	641,151,201.83			262,372.02			-86,694.62		641,326,879.23	
CSSC Huangpu Zhengji Offshore Engineering Co., Ltd.	1,142,562.23			461,121.03					1,603,683.26	
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	3,680,382.88			25,551.06			-185,273.02		3,520,660.92	
Maiyu Environmental Technology (HK) Co., Ltd.		1,844,012.50							1,844,012.50	
Total	740,935,298.11	1,844,012.50		-2,542,980.91		72,404.81	-271,967.64		740,036,766.87	

2. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Unlisted	740,036,766.87	740,935,298.11

(13) Investments in other equity instruments

1. Information on investments in other equity instruments

Item	Ending balance	Beginning balance
Investments in other equity instruments	71,478,588.58	63,403,225.93
Including: At fair value through other comprehensive income	71,478,588.58	63,403,225.93
Total	71,478,588.58	63,403,225.93

2. Analysis of investments in other equity instruments

Item	Ending balance	Beginning balance
Listed	7,142,153.22	6,813,766.56
Including: China (except Hong Kong)	3,359,449.80	3,162,799.08
Unlisted	64,336,435.36	56,589,459.37
Total	71,478,588.58	63,403,225.93

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3. Breakdown of other equity instruments

Item	Ending balance			Beginning balance		
	Book cost	Change in fair value	Carrying value	Book cost	Change in fair value	Carrying value
Sub-total of listed	8,081,043.86	-938,890.64	7,142,153.22	8,081,043.86	-1,267,277.30	6,813,766.56
Bank of Communications Co., Ltd.	1,155,497.30	2,203,952.50	3,359,449.80	1,155,497.30	2,007,301.78	3,162,799.08
Chongqing Iron and Steel Co., Ltd.	6,925,546.56	-3,142,843.14	3,782,703.42	6,925,546.56	-3,274,579.08	3,650,967.48
Sub-total of unlisted	30,250,559.74	34,085,875.62	64,336,435.36	30,250,559.74	26,338,899.63	56,589,459.37
China Shipbuilding IT Co., Ltd.	1,700,000.00	1,757,207.13	3,457,207.13	1,700,000.00	2,184,104.82	3,884,104.82
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46	1,507,494.46	1,887,534.92	380,040.46	807,916.19	1,187,956.65
Guangzhou Xinzhou Service Co., Ltd.	106,425.00	-44,279.16	62,145.84	106,425.00	134,363.53	240,788.53
Huangpu Hongshan Community Health Service Center	1,200,000.00	1,540,941.91	2,740,941.91	1,200,000.00	-430,964.83	769,035.17
CSSC Finance Company Limited	5,828,000.00	24,202,000.00	30,030,000.00	5,828,000.00	23,958,931.26	29,786,931.26
CSSC Liner Technology Development Co., Ltd.	20,036,094.28	-319,739.73	19,716,354.55	20,036,094.28		20,036,094.28
CSIC Yuanzhou (Beijing) Science & Technology Co., Ltd.	1,000,000.00	5,442,251.01	6,442,251.01	1,000,000.00	-315,451.34	684,548.66
CSSC Heavy Equipment Co., Ltd.						
Nanjing Tongchuang Computer Co., Ltd.						
Guangzhou Nanfang Special Coating Co., Ltd.						
Total	38,331,603.60	33,146,984.98	71,478,588.58	38,331,603.60	25,071,622.33	63,403,225.93

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 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 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 amount of RMB0. In 2018, Guangzhou Nanfang Special Coating Co., Ltd., a subsidiary of Wenchong Dockyard, entered bankruptcy liquidation process in accordance with the law. On 31 December 2018, the Group's investment in Guangzhou Nanfang Special Coating Co., Ltd. had a carrying value of RMB0 (investment cost of RMB3,270,000.00, provision for impairment of RMB3,270,000.00).

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4. Information on investments in equity instruments not held for trading

Item	Dividend income recognised during the period	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Total	12,500.00	36,653,847.01	3,506,862.03			
Sub-total of listed		2,203,952.50	3,142,843.14			
Chongqing Iron and Steel Co., Ltd.			3,142,843.14		Investments not held for trading	
Bank of Communications Co., Ltd.		2,203,952.50			Investments not held for trading	
Sub-total of unlisted	12,500.00	34,449,894.51	364,018.89			
China Shipbuilding IT Co., Ltd.		1,757,207.13			Investments not held for trading	
Guangzhou Wenchuan Industrial Co., Ltd.		1,507,494.46			Investments not held for trading	
Guangzhou Xinzhou Service Co., Ltd.	12,500.00		44,279.16		Investments not held for trading	
Huangpu Hongshan Community Health Service Center		1,540,941.91			Investments not held for trading	
CSSC Finance Company Limited		24,202,000.00			Investments not held for trading	
CSSC Liner Technology Development Co., Ltd.			319,739.73		Investments not held for trading	
CSIC Yuanzhou (Beijing) Science & Technology Co., Ltd.		5,442,251.01			Investments not held for trading	
CSSC Heavy Equipment Co., Ltd.					Investments not held for trading	
Nanjing Tongchuang Computer Co., Ltd.					Investments not held for trading	
Guangzhou Nanfang Special Coating Co., Ltd.					Investments not held for trading	

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(14) Investment properties

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	7,549,087.48	7,549,087.48
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	7,863,443.56	7,863,443.56
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	21,308,295.44	21,308,295.44
2. Carrying value at the beginning of the period	21,622,651.52	21,622,651.52

1. 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).

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

3. Investment properties analysed by region and ageing are as follows:

Item	Ending carrying value	Beginning carrying value
Within China	21,308,295.44	21,622,651.52
Including: Medium term (10-50 years)	21,308,295.44	21,622,651.52

4. Investment properties without property ownership certificates

None

(15) Fixed assets

Type	Ending balance	Beginning balance
Fixed assets	11,657,175,722.35	12,046,436,020.38
Disposal of fixed assets	5,379,536.46	
Total	11,662,555,258.81	12,046,436,020.38

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1. 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	10,779,167,186.99	6,019,337,611.32	1,153,844,315.32	449,543,606.47	18,401,892,720.10
2. Increase for the period	7,107,594.90	14,620,307.03	419,600.68	8,709,449.05	30,856,951.66
(1) Additions	0.00	7,619,658.25	201,979.99	7,256,848.30	15,078,486.54
(2) Transfer from construction in progress	7,107,594.90	7,000,648.78	217,620.69	1,452,600.75	15,778,465.12
3. Decrease for the period	64,858,085.77	168,129,439.83	4,849,692.30	2,261,407.47	240,098,625.37
(1) Disposal or retirement	64,858,085.77	168,129,439.83	4,849,692.30	2,261,407.47	240,098,625.37
4. Ending balance	10,721,416,696.12	5,865,828,478.52	1,149,414,223.70	455,991,648.05	18,192,651,046.39
II. Accumulated depreciation					
1. Beginning balance	2,666,700,612.70	3,019,882,712.15	308,775,821.92	286,430,887.59	6,281,790,034.36
2. Increase for the period	164,906,220.90	153,526,428.79	25,145,376.66	20,010,078.53	363,588,104.88
(1) Provision made	164,906,220.90	153,526,428.79	25,145,376.66	20,010,078.53	363,588,104.88
3. Decrease for the period	49,015,707.77	127,892,921.02	4,245,864.32	2,063,187.89	183,217,681.00
(1) Disposal or retirement	49,015,707.77	127,892,921.02	4,245,864.32	2,063,187.89	183,217,681.00
4. Ending balance	2,782,591,125.83	3,045,516,219.92	329,675,334.26	304,377,778.23	6,462,160,458.24
III. Provision for impairment					
1. Beginning balance		6,136,201.53	67,424,958.03	105,505.80	73,666,665.36
2. Increase for the period					
3. Decrease for the period		351,799.56			351,799.56
(1) Disposal or retirement		351,799.56			351,799.56
4. Ending balance		5,784,401.97	67,424,958.03	105,505.80	73,314,865.80
IV. Carrying value					
1. Ending carrying value	7,938,825,570.29	2,814,527,856.63	752,313,931.41	151,508,364.02	11,657,175,722.35
2. Beginning carrying value	8,112,466,574.29	2,993,318,697.64	777,643,535.37	163,007,213.08	12,046,436,020.38

Note:

- The depreciation of fixed assets recognised in profit or loss during the period is RMB363,588,104.88 (corresponding period of last year: RMB393,699,755.60).
- Included in fixed assets added during the period is capitalised construction in progress of RMB15,778,465.12.

(2) Fixed assets leased through finance leases at the end of the period

None

(3) Fixed assets leased out through operating leases at the end of the period

Item	Ending carrying value
Buildings and structures	335,044,802.12
Machinery and equipment	69,614,329.68
Transportation vehicles	627,341,108.26
Others	45,480.46
Total	1,032,045,720.52

(4) Buildings and structures are analysed by region and ageing

Item	Ending carrying value	Beginning carrying value
Within China	7,924,915,639.95	8,098,414,952.13
Medium term (10-50 years)	7,785,430,331.67	7,950,529,444.02
Short term (within 10 years)	139,485,308.28	147,885,508.11
Outside China	13,909,930.34	14,051,622.16
Including: Medium term (10-50 years)	13,909,930.34	14,051,622.16
Total	7,938,825,570.29	8,112,466,574.29

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

(5) *Fixed assets without property ownership certificates*

As at the end of the period, included in fixed assets were properties with carrying amount of RMB79,110,002.56 for which the property ownership certificates were being applied for. Given the aforesaid properties were in compliance with the relevant legal procedures, the Board believes that the transfer of its title will not meet any substantial obstacle or affect their normal use by the Group and will have no material impact on the normal operation of the Group. As such, no provision for impairment is required for investment properties and there will be no additional material costs.

Item	Carrying value	Reason for failure to obtain property ownership certificates
Outfitting integrated workshop	22,069,604.14	In the process of obtaining ownership certificates
East auxiliary building of new platform ship at Longxue Plant	4,371,158.57	In the process of obtaining ownership certificates
Improvement workshop	14,351,621.27	In the process of obtaining ownership certificates
Quality control centre	24,199,236.73	In the process of obtaining ownership certificates
Special pipe workshop	14,118,381.85	In the process of obtaining ownership certificates
Total	79,110,002.56	

2. *Disposal of fixed assets*

Item	Ending balance	Beginning balance
Buildings and structures	139,042.82	
Machinery and equipment	5,240,493.64	
Total	5,379,536.46	

(16) **Construction in progress**

Type	Ending balance	Beginning balance
Construction in progress	1,010,238,554.59	762,567,676.87
Total	1,010,238,554.59	762,567,676.87

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

1. Construction in progress

(1) Breakdown of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Nansha Plant upgrading project	289,614,818.29		289,614,818.29	178,366,510.18		178,366,510.18
Project 8	110,067,128.44		110,067,128.44	92,132,160.15		92,132,160.15
Investment projects	99,068,319.87		99,068,319.87	74,217,653.65		74,217,653.65
Residential project for workers	92,409,495.40		92,409,495.40	95,354,067.40		95,354,067.40
Platform project	62,276,335.55		62,276,335.55	40,937,324.32		40,937,324.32
Project 9	58,708,265.35		58,708,265.35	10,891,104.32		10,891,104.32
Technological upgrading	46,527,379.91		46,527,379.91	40,176,597.13		40,176,597.13
Project 7	39,538,393.50		39,538,393.50	37,438,272.86		37,438,272.86
Workers' dormitory phase II	35,021,231.63		35,021,231.63	28,555,426.27		28,555,426.27
Offshore platform project	33,315,621.31		33,315,621.31	33,315,621.31		33,315,621.31
Project 5	19,907,286.35		19,907,286.35	22,510,650.87		22,510,650.87
Offshore engineering project phase I	19,258,235.35		19,258,235.35	19,239,228.15		19,239,228.15
Special payment for Shenzhen-Zhongshan Bridge	17,704,260.61		17,704,260.61	14,102,805.23		14,102,805.23
Project 3	12,923,609.12		12,923,609.12	12,923,609.12		12,923,609.12
Elevator and decompression bed construction project	7,696,374.29		7,696,374.29	7,696,374.29		7,696,374.29
Others	66,201,799.62		66,201,799.62	54,710,271.62		54,710,271.62
Total	1,010,238,554.59		1,010,238,554.59	762,567,676.87		762,567,676.87

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

(2) Changes in material construction in progress

Name of project	Budget	Beginning balance	Increase for the period	Transfer to fixed assets	Other decrease	Ending balance	Ratio of project investment to budget (%)	Project progress (%)	Accumulated interest capitalised	Including: Interest capitalised during the period	Interest capitalisation ratio for the period (%)	Source of funding
Nansha Plant upgrading project	1,333,760,000.00	178,366,510.18	113,928,530.89	2,680,222.78		289,614,818.29	48.00	50.00	5,748,008.52	900,011.91	1.08	CDB loan + self-financed
Project 8	453,000,000.00	92,132,160.15	17,934,968.29			110,067,128.44	83.15	80.00				State-subsidized + self-financed
Investment projects	653,000,000.00	74,217,653.65	24,850,666.22			99,068,319.87	85.00	85.00				Self-financed + loan
Project 9	216,900,000.00	10,891,104.32	47,817,161.03			58,708,265.35	19.00	19.00				State-subsidized + self-financed
Project 7	424,940,000.00	37,438,272.86	2,100,120.84			39,538,393.50	92.00	92.00	6,066,078.94			State-loan + self-financed
Workers' dormitory phase II	82,520,000.00	28,555,426.27	6,465,805.36			35,021,231.63	42.00	75.00				Enterprise self-financed
Offshore platform project	278,630,000.00	33,315,621.31				33,315,621.31	57.00	57.00	22,039,060.45			Self-financed + loan
Project 5	119,420,000.00	22,510,650.87		2,603,364.52		19,907,286.35	102.59	100.00	3,045,377.25			State-subsidized + loan
Offshore engineering project phase I	770,000,000.00	19,239,228.15	19,007.20			19,258,235.35	103.00	99.00	65,765,865.93			Self-financed + loan
Project 3	278,630,000.00	12,923,608.12				12,923,608.12	100.00	98.00	24,728,995.32			Self-financed + loan
Total	4,610,800,000.00	509,590,236.88	213,116,259.63	5,283,587.30		717,422,909.21			127,393,386.41	900,011.91		

(17) Right-of-use assets

The depreciation of right-of-use assets recognised in profit or loss during the period is RMB26,287,149.55 (corresponding period of last year: 0).

Item	Buildings and structures	Transportation vehicles	Others	Total
I. Original carrying amount				
1.Beginning balance	174,855,720.48	23,688,098.83	796,681.51	199,340,500.82
2.Increase for the period	3,179,724.38			3,179,724.38
3.Decrease for the period				
4.Ending balance	178,035,444.86	23,688,098.83	796,681.51	202,520,225.20
II. Accumulated depreciation				
1. Beginning balance				
2.Increase for the period	18,174,221.14	7,858,487.01	254,441.40	26,287,149.55
(1) Provision made	18,174,221.14	7,858,487.01	254,441.40	26,287,149.55
3.Decrease for the period				
4.Ending balance	18,174,221.14	7,858,487.01	254,441.40	26,287,149.55
III. Provision for impairment				
1. Beginning balance				
2.Increase for the period				
3.Decrease for the period				
4.Ending balance				
IV. Carrying value				
1.Ending carrying value	159,861,223.72	15,829,611.82	542,240.11	176,233,075.65
2.Beginning carrying value	174,855,720.48	23,688,098.83	796,681.51	199,340,500.82

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(18) Intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	2,252,519,485.51	145,232,000.00	223,178,948.70	2,432,934.00	2,623,363,368.21
2. Increase for the period			282,758.62		282,758.62
3. Decrease for the period					
4. Ending balance	2,252,519,485.51	145,232,000.00	223,461,707.32	2,432,934.00	2,623,646,126.83
II. Accumulated amortisation					
1. Beginning balance	345,429,391.74	28,320,239.61	164,743,407.93	40,049.96	538,533,089.24
2. Increase for the period	22,826,039.09	1,452,319.98	6,851,270.76	4,292.58	31,133,922.41
(1) Provision made	22,826,039.09	1,452,319.98	6,851,270.76	4,292.58	31,133,922.41
3. Decrease for the period					
4. Ending balance	368,255,430.83	29,772,559.59	171,594,678.69	44,342.54	569,667,011.65
III. Provision for impairment					
1. Beginning balance					
2. Increase for the period					
3. Decrease for the period					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	1,884,264,054.68	115,459,440.41	51,867,028.63	2,388,591.46	2,053,979,115.18
2. Beginning carrying value	1,907,090,093.77	116,911,760.39	58,435,540.77	2,392,884.04	2,084,830,278.97

Note 1: There were no intangible assets arising from internal research and development of the Company during the period.

Note 2: The depreciation and amortisation of intangible assets recognised in profit or loss during the period is RMB31,133,922.41 (last year: RMB26,911,707.80).

1. Land use rights analysed by region and term

Item	Ending balance	Beginning balance
Within China	1,884,264,054.68	1,907,090,093.77
Medium term (10-50 years)	1,884,264,054.68	1,907,090,093.77

2. Land use rights without real estate certificates

None

(19) Goodwill

Name of investee or issues of goodwill	Beginning balance	Increase for the period	Decrease for the period	Ending balance
		From business combination	Disposal	
Wenchong Dockyard	144,231,195.67			144,231,195.67

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(20) Long-term prepaid expenses

Item	Beginning balance	Increase for the period	Amortisation for the period	Other decreases for the period	Ending balance	Reasons for decrease
Channel dredging project	42,645,992.83		526,517.34		42,119,475.49	
Longxue industrial decoration	15,801,086.07		2,171,415.19		13,629,670.88	
Workshop renovation cost	8,524,252.80	1,840,313.34	1,026,285.29		9,338,280.85	
13-metre total steel beam	5,566,218.58	813,411.08	361,111.12		6,018,518.54	
Reconstruction cost of Phase II plant	2,953,884.59		537,069.96		2,416,814.63	
Steel pipe frame fastener	1,432,175.75		196,812.31		1,235,363.44	
Maintenance and payment for projects of dredging and dredging of the harbor and berths in the Nansha plant area		381,718.94	1,272,372.84		2,544,746.10	
Repair fee	105,042.00		17,506.98		87,535.02	
Company office building renovation		922,760.83	28,836.28		893,924.55	
Launching rail track tooling		2,447,613.00	489,522.60		1,958,090.40	
Office renovation project		1,127,463.12	82,014.12		1,045,449.00	
Other projects	2,256,950.61	445,500.62	651,608.27		2,050,842.96	
Total	79,285,603.23	11,414,180.93	7,361,072.30		83,338,711.86	-

(21) Deferred tax assets, Deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	588,880,772.25	89,186,042.35	380,181,751.96	61,718,071.28
Deductible loss	1,195,986,894.44	208,490,034.17	1,491,305,305.98	295,720,912.90
Estimated liabilities	224,064,273.60	33,609,641.04	95,972,670.05	17,840,413.76
Change in fair value of financial assets held-for-trading	88,793,934.12	13,425,691.51	109,244,559.10	16,592,552.56
Difference in the time of amortisation of long-term prepaid expenses	2,003,546.16	500,886.54	2,341,298.04	585,324.51
Change in fair value of investments in equity instruments	9,716,310.27	1,457,446.54	9,716,310.26	2,447,685.56
Payroll for retiring employees	187,648,231.88	28,147,234.78	197,114,274.80	45,178,536.33
Total	2,297,093,962.72	374,816,976.93	2,285,876,170.19	440,083,496.90

2. Deferred tax liabilities not offset

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Valuation of financial instruments held-for-trading and derivative financial instruments	6,170,057.47	925,508.62	3,289,561.01	822,390.24
Change in fair value of financial assets held-for-trading	9,848,144.20	1,488,459.13	8,395,594.00	1,259,339.10
Change in fair value of investments in equity instruments	30,237,030.74	4,535,554.61	27,942,151.71	6,868,918.68
Total	46,255,232.41	6,949,522.36	39,627,306.72	8,950,648.02

NOTES TO THE FINANCIAL STATEMENTS

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3. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	109,756,347.32	293,463,661.59
Deductible loss	2,434,029,207.17	3,428,432,706.30
Total	2,543,785,554.49	3,721,896,367.89

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

Year	Ending balance	Beginning balance
2019	87,543,130.31	1,326,107,227.63
2020	390,719,293.02	466,832,079.49
2021	243,636,912.20	862,791,156.77
2022	103,870,240.67	110,971,774.32
2023	294,015,359.14	661,730,468.09
2024	1,307,181,669.18	
2025		
2026		
2027	3,887,901.93	
2028	3,174,700.72	
Total	2,434,029,207.17	3,428,432,706.30

(22) Other non-current assets

Item	Ending balance	Beginning balance
Non-current assets advance payment	10,817,407.36	66,391,426.19
Relocation expenses to be written off	15,653,145.42	13,860,105.78
Total	26,470,552.78	80,251,531.97

Note: Relocation expenses to be written off represented the assets disposal expense and labour costs incurred as a result of the relocation of plant of Nanhai mechanical and electrical branch of the Company, which will be used to offset the compensation for relocation upon completion of the relocation.

(23) Short-term borrowings

1. Breakdown of short-term borrowings

Item	Ending balance	Beginning balance
Secured borrowings		
Mortgage loans		
Guaranteed borrowings	20,000,000.00	295,000,000.00
Credit loans	7,504,383,875.11	4,009,387,255.88
Total	7,524,383,875.11	4,304,387,255.88
Note of breakdown of short-term borrowings		

Information on guarantees: As at the end of the period, short-term borrowing of RMB20,000,000.00 was guaranteed by Huangpu Wenchong for Wenchong Dockyard.

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2. Outstanding overdue short-term borrowings

None

As at the end of the period, the weighted average annual interest rate of short-term borrowings was 2.84%.

(24) Financial liabilities held-for-trading

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Financial liabilities held-for-trading	431,894,056.78	487,761.01	229,607,736.97	202,774,080.82
Including:				
Forward exchange contracts	431,894,056.78	487,761.01	229,607,736.97	202,774,080.82
Financial liabilities at fair value through profit or loss				
Total	431,894,056.78	487,761.01	229,607,736.97	202,774,080.82

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

(25) Notes payable

Type	Ending balance	Beginning balance
Commercial acceptance bills	172,436,000.00	443,823,404.95
Bank acceptance bills	1,677,736,981.45	2,286,572,893.25
Total	1,850,172,981.45	2,730,396,298.20

Total notes payable due and unpaid as at the end of the period amounted to RMB0.

Among the above notes payable of the Group, RMB1,850,172,981.45 had an ageing of less than 180 days, and RMB0 had an ageing of 181-360 days.

(26) Accounts payable

1. Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	5,337,380,952.21	4,074,770,064.65
Payment for construction in progress	203,180,831.94	114,327,903.77
Balance of product payment	501,891,057.70	552,199,468.38
Retention money	1,403,895,952.68	1,485,763,195.74
Other construction and labour services	817,350,698.89	1,731,771,616.72
Total	8,263,699,493.42	7,958,832,249.26

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2. Significant accounts payable with ageing over one year

Item	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
China Shipbuilding Industry Corporation 704 Research Institute	344,756,750.00	75,373,000.00	Goods not arrived
China Shipbuilding NDRI Engineering Co., Ltd.	88,963,459.50	69,402,429.21	Goods not arrived
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	67,965,880.35	67,965,880.35	Goods not arrived
Drass Energy Srl	47,356,646.10	47,356,646.10	Equipment warranty and provisional estimates
CSSC Marine Power Co. Ltd.	50,814,386.91	36,820,669.00	Goods not arrived
AL NEHRA PETROME FZE	45,017,175.95	45,017,175.95	Equipment warranty and provisional estimates
Shanghai Haixun Electrical Engineering Co., Ltd.	35,599,015.43	27,596,124.12	Equipment warranty and provisional estimates
Wenzhou Bohong Electric Co., Ltd.	35,330,240.00	35,330,240.00	Equipment warranty and provisional estimates
Guangzhou Ship Industrial Co., Ltd.	23,852,799.34	14,098,106.40	Equipment warranty and provisional estimates
Wuxi Hainuo Equipment Technology Co., Ltd.	13,523,010.00	6,443,500.00	Equipment warranty and provisional estimates
Anqing CSSC Diesel Engine Co., Ltd.	8,676,575.76	3,719,000.00	Equipment warranty and provisional estimates
D&A Technology (Shanghai) Co., Ltd.	2,450,082.60	2,450,082.60	Equipment warranty and provisional estimates
Shanghai Zhen Nan Engineering Supervision Co., Ltd.	1,105,920.00	1,105,920.00	Equipment warranty and provisional estimates
Total	765,411,941.94	432,678,773.73	–

3. Ageing of accounts payable

Ageing	Ending balance	Beginning balance
Within one year	4,240,616,477.43	4,318,781,010.73
1-2 years	3,595,485,611.02	2,967,761,937.65
2-3 years	185,097,253.80	417,041,372.35
Over 3 years	242,500,151.17	255,247,928.53
Total	8,263,699,493.42	7,958,832,249.26

(27) Employee benefits payable

1. Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term remuneration	41,351,166.51	1,942,819,192.03	1,921,427,684.59	62,742,673.95
Post-employment benefits				
– defined contribution plans		107,403,232.01	107,362,103.28	41,128.73
Termination benefits		2,351,765.71	2,351,765.71	
Other benefits due within one year				
Others		4,532,756.92	4,532,756.92	
Total	41,351,166.51	2,057,106,946.67	2,035,674,310.50	62,783,802.68

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2. Breakdown of short-term remuneration

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Salaries, bonuses, allowances and subsidies	712,664,067.07	690,539,295.29	22,124,771.78	8,939,330.41
Employee benefits	5,072,421.30	32,094,595.69	28,227,686.58	
Social insurance contribution		62,901,988.49	62,901,988.49	0
Including: Medical insurance contribution		55,148,060.37	55,148,060.37	
Work-related injury insurance contribution		1,300,840.33	1,300,840.33	
Maternity insurance contribution		6,453,087.79	6,453,087.79	
Housing fund	2,754.00	84,509,723.52	84,512,477.52	27,592,510.03
Labour union & employee education funds	29,509,619.15	14,402,147.68	16,319,256.80	
Short-term paid absence				4,086,061.73
Short-term profit sharing plan				
Outsourcing labour costs and others	6,766,372.06	1,036,246,669.58	1,038,926,979.91	
Total	41,351,166.51	1,942,819,192.03	1,921,427,684.59	62,742,673.95

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 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		102,964,071.30	102,922,942.57	41,128.73
Unemployment insurance contribution		4,439,160.71	4,439,160.71	
Total		107,403,232.01	107,362,103.28	41,128.73

The contributions to the defined contribution plans payable by the Group for the period amounted to RMB107,403,232.01 (corresponding period of last year: RMB128,322,384.58). As at the end of the period, contribution payable of the Group amounting to RMB41,128.73 (as at the beginning of the year: RMB0) was due and outstanding during the Reporting Period, which had been paid subsequent to the end of the Reporting Period.

(28) Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	5,485,504.98	9,922,449.47
Enterprise income tax	47,556,766.07	19,495,886.90
Individual income tax	1,187,852.98	11,421,836.30
City maintenance and construction tax	392,896.03	700,595.14
Property tax	12,224,549.65	1,632,008.74
Land use tax	5,525,751.81	2,212,416.52
Educational surcharge	280,603.86	500,425.01
Other taxes	2,653,859.87	2,254,406.10
Total	75,307,785.25	48,140,024.18

Other explanations:

- As at the end of the period, the Group reclassified the debit balance of "Value-added tax payable", "Unpaid value-added tax", "Input tax to be deducted", "Input tax to be certified" and other items 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).
- As at the end of the period, included in the enterprise income tax under taxes payable of the Group was Hong Kong profits tax payable of RMB0.

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(29) Other payables

Item list

Item	Ending balance	Beginning balance
Interest payable	31,141,150.16	16,734,825.58
Dividends payable	394,042.49	304,042.49
Other payables	253,236,818.96	319,883,556.50
Total	284,772,011.61	336,922,424.57

Other explanations:

1. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings for which the interest is paid in instalments and the principal is repaid when due	5,928,757.51	9,852,098.31
Corporate bond interest		
Short-term borrowings interest payable	25,212,392.65	6,882,727.27
Interest of preference shares\perpetual bonds classified as financial liabilities		
Total	31,141,150.16	16,734,825.58

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

2. Dividends payable

Item	Ending balance	Beginning balance
Dividends to minority shareholders payable by subsidiaries	90,000.00	
Dividends payable for A shares	66,091.17	66,091.17
Dividends payable for H shares	237,951.32	237,951.32
Total	394,042.49	304,042.49

Other explanations, including important dividends payables that have not been paid for more than 1 year, should disclose the reasons for the unpaid:

None

3. Other payables

(1) Other payables by nature

Item	Ending balance	Beginning balance
Deposits received	98,712,578.74	100,646,387.39
Withholding amount for employees	77,699,307.28	35,720,714.50
Payables for temporary receipts	76,824,932.94	82,096,661.93
Payables for equity transfer payment		101,419,792.68
Total	253,236,818.96	319,883,556.50

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(2) *Significant other payables aged over one year*

Item	Ending balance	Reason for unsettlement or carrying forward
China Shipbuilding NDRI Engineering Co., Ltd.	6,937,179.27	Performance deposit, not yet settled
Wuxue Zhanye Marine Engineering Co., Ltd.	3,225,000.00	Security deposit
Tongzhou Construction General Contracting Group Co., Ltd.	1,788,642.58	Performance deposit, not yet settled
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	1,701,000.00	Security deposit
No.5 Engineering Company of CCCC First Harbor Engineering Co. Ltd	1,052,580.00	Performance deposit, not yet settled
Nanjing Glaway Software Co., Ltd.	1,002,190.00	Performance deposit, not yet settled
Total	15,706,591.85	/

(30) **Contract liabilities**

1. *Breakdown of other current liabilities*

Item	Ending balance	Beginning balance
Shipbuilding products	5,206,155,206.71	6,157,664,531.11
Offshore engineering products	402,955,957.39	405,001,767.59
Steel structure	554,220,825.79	323,059,779.75
Ship maintenance and modification	197,393,821.05	22,086,654.41
Electromechanical products and others	109,214,435.47	204,579,228.92
Total	6,469,940,246.41	7,112,391,961.78

Note: The income included in the beginning carrying value of contract liabilities recognized in the period is RMB2,257,607,979.94.

2. *Amount and reason for significant changes in carrying value during the Reporting Period*

Item	Amount of change	Reason for change
Shipbuilding products	-951,509,324.40	There was a difference between the collection progress and the progress of revenue confirmation
Offshore engineering products	-2,045,810.20	
Steel structure	231,161,046.04	
Ship maintenance and modification	175,307,166.64	
Electromechanical products and others	-95,364,793.45	
Total	-642,451,715.37	

(31) **Non-current liabilities due within one year**

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	1,489,900,000.00	4,414,000,000.00
Total	1,489,900,000.00	4,414,000,000.00

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(32) Other current liabilities

Item	Ending balance	Beginning balance
Short-term deferred income – government grants		6,210,049.38
Output tax to be transferred	28,617,917.31	82,666,981.35
Advances from customers for shipbuilding orders cancelled	156,291,510.10	93,313,787.47
Lease liabilities due with one year	49,082,608.61	47,169,400.36
Total	233,992,036.02	229,360,218.56

(33) Long-term borrowings

1. Type of long-term borrowings

Item	Ending balance	Beginning balance
Secured borrowings		
Mortgage loans		332,000,000.00
Guaranteed borrowings		8,421,619,500.00
Credit loans	6,211,357,000.00	
Total	6,211,357,000.00	8,753,619,500.00

2. The carrying amount of the above borrowings shall be repaid in the following periods:

Item	Ending balance	Beginning balance
Within one year	1,489,900,000.00	4,414,000,000.00
Over one year but less than two years after balance sheet date	110,000,000.00	579,900,000.00
Over two years but less than five years after balance sheet date	1,485,000,000.00	2,026,562,500.00
Over five years after balance sheet date	3,126,457,000.00	1,733,157,000.00
Less: Amount due within one year, as shown under current liabilities	1,489,900,000.00	4,414,000,000.00
Amount shown under non-current liabilities	4,721,457,000.00	4,339,619,500.00

Note: Interest rates of long-term borrowings range from 1.08% to 5%.

Details of interest rates: As at the end of the period, weighted average annual interest rate of long-term borrowings was 2.178%.

(34) Lease liabilities

Item	Ending balance	Beginning balance
Buildings and structures	128,108,755.72	152,072,557.73
Machinery and equipment		98,542.73
Transportation vehicles	82,856.44	
Other equipment	546,918.96	
Total	128,738,531.12	152,171,100.46

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(35) Long-term payables

Item	Ending balance	Beginning balance
Special payables	99,370,000.00	99,370,000.00
Total	99,370,000.00	99,370,000.00

Note:

- The above special payables are state funds allocated to the projects.
- The breakdown of special payables at the end of the period is as follows:

Item	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

(36) Long-term employee benefits payable

Item	Ending balance	Beginning balance
Post-employment benefits – net liabilities for defined benefit plans	186,570,528.07	196,350,606.96
Monetary housing allowance for retired employees	43,492,411.01	42,471,060.70
Financial assistance for property purchase	9,652,895.00	9,732,630.00
Total	239,715,834.08	248,554,297.66

Note: The Group's defined benefit plans represent the expenses of "three kinds of persons" (being retire, retired and retreated employees) recognised by Huangpu Wenchong, Wenchong Shipyard and Wenchong Dockyard, all subsidiaries of the Company, in accordance with the relevant requirements of the State-owned Assets Supervision and Administration Commission.

1. Changes in defined benefit plans – present value of obligations under defined benefit plans

Item	Current period	Corresponding period of last year
1) Beginning balance	196,350,606.96	203,570,067.56
2) Cost of defined benefits included in profit or loss for the period	3,110,535.30	3,735,234.70
1. Net interest	3,110,535.30	3,735,234.70
3) Cost of defined benefits included in other comprehensive income		
4) Other changes	-12,890,614.19	-11,636,801.66
1. Benefits paid	-12,890,614.19	-11,636,801.66
5) Ending balance	186,570,528.07	195,668,500.60

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From 1 January 2019 to 30 June 2019

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2. Changes in defined benefit plans – net liabilities (net assets) under defined benefit plans

Item	Current period	Corresponding period of last year
1) Beginning balance	196,350,606.96	203,570,067.56
2) Cost of defined benefits included in profit or loss for the period	3,110,535.30	3,735,234.70
3) Cost of defined benefits included in other comprehensive income		
4) Other changes	-12,890,614.19	-11,636,801.66
5) Ending balance	186,570,528.07	195,668,500.60

(37) Estimated liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	360,366,858.68	365,730,923.58	Warranty cost of ships and electromechanical products
Loss contract to be executed	324,934,982.45	436,285,785.52	Note
Total	685,301,841.13	802,016,709.10	

Note: Loss contract to be executed 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.

(38) Deferred income

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance	Reason for occurrence
Government grants	59,916,128.16	54,629,856.79	40,686,099.79	73,859,885.16	

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Projects with government grants:

Debt item	Beginning balance	New subsidy in the period	Non-operating income included in the period.	Other income included in the period.	Cost reduction	Other changes	Ending balance	Relating to assets/ income
National skilled personnel training in 2018	8,000,000.00				33,905.66		7,966,094.34	Relating to income
Mother ship renovation project	7,348,770.52	25,000.00					7,373,770.52	Relating to assets
Subsidy for high-quality projects	5,773,916.70		96,499.80				5,677,416.90	Relating to assets
Offshore expansion projects	3,500,000.35			1,750,000.02		-3,500,000.00	5,250,000.33	Relating to income
Research of common key processes and technologies for smart manufacturing of ships	5,000,000.00	5,900,000.00			2,500,000.00	3,700,000.00	4,700,000.00	Relating to assets
Separation and transfer of water, power and gas supply and property management business	4,222,096.98		910,064.94				3,312,032.04	Relating to assets
Offshore engineering phase I	1,500,000.00			750,000.00		-1,500,000.00	2,250,000.00	Relating to income
Research of energy-saving and environment-friendly manufacturing system and key processes	1,292,010.97	700,000.00			86,564.86		1,905,446.11	Relating to income
Self-development of luxury ro-ro passenger ships	2,275,915.21				466,117.58		1,809,797.63	Relating to income
Research of comprehensive building process and technology	2,980,987.48				1,446,744.83		1,534,242.65	Relating to assets
Base construction subsidy	1,498,934.99		31,091.40				1,467,843.59	Relating to income
09E013	1,400,000.00						1,400,000.00	Relating to assets
Offshore platform project	1,200,000.00			150,000.00		-300,000.00	1,350,000.00	Relating to income
13D01	616,900.00						616,900.00	Relating to income
Others	13,306,594.96	48,004,856.79	8,223,837.42	1,668,053.05	23,723,220.23	450,000.00	27,246,341.05	Relating to income
Total	59,916,128.16	54,629,856.79	9,261,493.56	4,318,053.07	28,256,553.16	-1,150,000.00	73,859,885.16	

(39) Share capital

Changes in the 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 (+, -) during the period				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	1,413,506,378.00	100.00						1,413,506,378.00	100.00
Overseas listed foreign shares	821,435,181.00	58.12						821,435,181.00	58.12
	592,071,197.00	41.88						592,071,197.00	41.88
Shares subject to selling restriction									
Ordinary shares denominated in RMB									
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

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Corresponding period of last year

Name/type of shareholder	Beginning balance		Increase or decrease (+, -) during the period				Ending balance		
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction	1,141,407,078.00	80.75						1,141,407,078.00	80.75
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	272,099,300.00	19.25						272,099,300.00	19.25
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

(40) Capital reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share premium	9,465,193,217.38			9,465,193,217.38
Other capital reserve	66,126,652.17	55,332.77		66,181,984.94
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	9,549,580,748.34	55,332.77		9,549,636,081.11

Note: Other capital reserve increased during the period, as a result of change in equity other than comprehensive income of Zhenjiang Modern Power Generation Equipment Co., Ltd., an associate of the Company.

Corresponding period of last year

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share premium	8,662,345,192.52	1,111,978,750.28		9,774,323,942.80
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	8,746,675,613.33	1,112,105,904.90		9,858,781,518.23

Note: During the corresponding period of last year, share premium increased by RMB1,111,978,750.28, of which share premium increased based on the difference between the capital increase to be received and the net assets to be entitled of GSI and Huangpu Wenchong arising from the introduction of new shareholders and implementation of market-based debt-to-equity conversion and the capital increase in cash for GSI and Huangpu Wenchong.

Other capital reserve increased in the corresponding period of last year, as a result of change in equity other than comprehensive income of Zhenjiang Modern Power Generation Equipment Co., Ltd., an associate of the Company.

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(41) Other comprehensive income

Current period

Item	Beginning balance	Amount for the period				Amount attributable to minority interests after tax	Ending balance
		Amount for the period before income tax	Less: Net amount 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		
1. Other comprehensive income that may not be subsequently reclassified to profit and loss	-44,106,291.17	8,075,362.64		-2,256,630.38	7,520,933.58	2,811,059.44	-36,585,357.59
Including: 1. Change in remeasurement of defined benefit plans	-61,938,500.00						-61,938,500.00
2. Change in fair value of investments in other equity instruments	17,832,208.83	8,075,362.64		-2,256,630.38	7,520,933.58	2,811,059.44	25,353,142.41
2. Other comprehensive income that will be subsequently reclassified to profit or loss	-1,509,135.40	69,831.32			47,712.67	22,118.65	-1,461,422.73
Including: 1. Exchange differences arising from translation of foreign currency financial statements	-1,509,135.40	69,831.32			47,712.67	22,118.65	-1,461,422.73
Total other comprehensive income	-45,615,426.57	8,145,193.96		-2,256,630.38	7,568,646.25	2,833,178.09	-38,046,780.32

Corresponding period of last year

Item	Beginning balance	Amount for the corresponding period of last year				Amount attributable to minority interests after tax	Ending balance
		Amount incurred for the period before income tax	Less: Amount 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		
1. 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	-2,271,924.50	87,075.49	-44,956,384.34
Including: 1. Change in remeasurement of defined benefit plans	-61,938,500.00						-61,938,500.00
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	-2,271,924.50	87,075.49	16,982,115.66
2. Other comprehensive income that will be subsequently reclassified to profit or loss	-66,874.94	-115,725.79	0.00	0.00	-1,746,185.02	1,630,459.23	-1,813,059.96
Including: 1) Gains and losses from changes in fair value of available-for-sale financial assets		-158,207.39			-120,904.30	-37,303.09	-120,904.30
2) Change in fair value of investments in other equity instruments	-66,874.94	42,481.60			-1,625,280.72	1,667,762.32	-1,692,155.66
Total other comprehensive income	-42,591,397.17	-2,024,873.02	159,937.61	275,701.78	-4,018,109.52	1,717,534.72	-46,769,444.30

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(42) Special reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Production safety fee	1,226,639.50	17,644,858.49	17,647,030.06	1,224,467.93
Total	1,226,639.50	17,644,858.49	17,647,030.06	1,224,467.93

Note: The increase in production safety fee in 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	2,096,705.90	29,827,054.91	29,866,437.14	2,057,323.67

(43) 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

Corresponding period of last year

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

(44) Undistributed profit

Item	Current period	Corresponding period of last year
Undistributed profit as at the end of last year before adjustment	-2,153,702,475.37	1,228,681,091.09
Add: Beginning adjustment to undistributed profit		-1,513,529,343.99
Including: Accounting policy change		-29,547,841.37
Changes in business combination under common control		-1,483,981,502.62
Undistributed profit as at the beginning of the year after adjustment	-2,153,702,475.37	-284,848,252.90
Add: Net profit attributable to owners of the Parent Company for the current period	390,750,329.92	-361,945,458.99
Add: Transfer from other comprehensive income to retained earnings		159,937.61
Less: Statutory surplus reserve set aside		
Undistributed profits as at the end of the period	-1,762,952,145.45	-646,633,774.28

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(45) Minority interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Guangzhou Hongfan Computer Technology Co., Ltd.	49	19,414,407.35	18,382,507.36
Guangzhou Longxue Pipe Co., Ltd.	57.14	32,641,196.23	32,584,467.25
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	40	1,397,533.40	1,238,615.64
Fonkwang Development Limited	20	11,585,443.59	12,137,810.70
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	19.5	847,453.31	804,428.98
Guangzhou Xinhang Human Resources Service Co., Ltd.	25	1,013,114.40	954,409.41
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	62.5	3,404,282.24	3,333,325.17
Wah Shun International Marine Limited	1	-5,367.07	13,642.40
Wah Loong International Marine Limited	1	199,715.56	95,186.23
CSSC (Guangzhou) New Energy Co., Ltd.	21.91	104,163.50	278,411.58
Guangzhou Shipyard International Company Limited	23.58	1,440,443,744.80	1,537,241,300.04
CSSC Huangpu Wenchong Shipbuilding Company Limited	30.98	1,768,951,540.04	1,451,299,009.52
Guangzhou Shipyard International Company Limited (solely state-owned)	Note	402,640,000.00	343,640,000.00
CSSC Huangpu Wenchong Shipbuilding Company Limited (solely state-owned)	Note	1,334,969,744.58	1,226,969,744.58
Total	-	5,017,606,971.93	4,628,972,858.86

Note: The minority interests (solely owned) of Huangpu Wenchong and GSI, both subsidiaries of the Company, represented capital reserve solely owned by CSSC.

(46) Net current assets

Item	Ending balance	Beginning balance
Current assets	29,015,349,342.06	29,035,181,060.62
Less: Current liabilities	26,457,726,312.77	27,607,675,655.72
Net current assets	2,557,623,029.29	1,427,505,404.9

(47) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	47,556,535,725.13	47,674,684,587.19
Less: Current liabilities	26,457,726,312.77	27,607,675,655.72
Total assets less current liabilities	21,098,809,412.36	20,067,008,931.47

(48) Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	7,524,383,875.11	4,304,387,255.88
Non-current liabilities due within one year	1,489,900,000.00	4,414,000,000.00
Long-term borrowings	4,721,457,000.00	4,339,619,500.00
Total	13,735,740,875.11	13,058,006,755.88

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1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	8,053,142,875.11	7,598,157,755.88
– Bank borrowings repayable after 5 years	3,126,457,000.00	1,733,157,000.00
Other borrowings		
– Other borrowings repayable within 5 years	2,556,141,000.00	3,726,692,000.00
– Other borrowings repayable after 5 years		
Total	13,735,740,875.11	13,058,006,755.88

2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	9,014,283,875.11	8,718,387,255.88
1-2 years	110,000,000.00	579,900,000.00
2-5 years	1,485,000,000.00	2,026,562,500.00
Over 5 years	3,126,457,000.00	1,733,157,000.00
Total	13,735,740,875.11	13,058,006,755.88

(49) Operating income and operating cost

1. Breakdown of operating income and operating cost

Item	Current period		Corresponding period of last year	
	Income	Cost	Income	Cost
Principal business	7,778,237,332.64	7,612,209,764.96	8,369,362,165.35	8,318,865,355.89
Other business	37,847,987.04	14,651,035.85	104,406,634.39	64,432,138.87
Total	7,816,085,319.68	7,626,860,800.81	8,473,768,799.74	8,383,297,494.76

Gross profit from principal business

Item	Current period	Corresponding period of last year
Income from principal business	7,778,237,332.64	8,369,362,165.35
Cost of principal business	7,612,209,764.96	8,318,865,355.89
Gross profit	166,027,567.68	50,496,809.46

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(1) *Principal business – by product*

Product name	Current period	Corresponding period of last year
Income from principal business:		
Ship products	6,396,382,932.72	7,048,076,362.01
Offshore engineering products	320,174,444.06	89,831,168.14
Steel structure engineering	357,375,955.95	355,507,842.84
Ship maintenance and modification	350,573,955.00	240,520,485.18
Electromechanical products and others	353,730,044.91	635,426,307.18
Total	7,778,237,332.64	8,369,362,165.35
Cost of principal business:		
Ship products	6,408,256,088.84	7,012,553,796.09
Offshore engineering products	308,775,195.75	127,420,426.77
Steel structure engineering	336,439,069.43	336,513,278.10
Ship maintenance and modification	283,999,906.72	231,127,974.41
Electromechanical products and others	274,739,504.22	611,249,880.52
Total	7,612,209,764.96	8,318,865,355.89

(2) *Principal business – by region*

Region	Current period	Corresponding period of last year
Income from principal business:		
China (including Hong Kong, Macau and Taiwan)	4,288,158,574.46	4,897,866,494.08
Other regions in Asia	465,016,224.86	304,627,419.16
Europe	1,453,931,398.50	1,780,158,856.74
Oceania	452,946,939.48	235,552,115.80
North America	185,390,271.74	874,090,624.27
Africa	905,706,498.41	227,579,212.20
South America	27,087,425.19	49,487,443.10
Total	7,778,237,332.64	8,369,362,165.35
Cost of principal business:		
China (including Hong Kong, Macau and Taiwan)	3,927,968,512.95	4,837,736,705.30
Other regions in Asia	482,841,130.20	290,592,847.26
Europe	1,565,932,402.43	1,839,122,563.46
Oceania	457,191,994.41	233,346,125.82
North America	209,953,701.35	836,142,801.47
Africa	927,314,539.90	232,186,013.45
South America	41,007,483.72	49,738,299.13
Total	7,612,209,764.96	8,318,865,355.89

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

Product name	Current period	Corresponding period of last year
Income from other business:		
Sale of materials	2,048,823.69	31,907,025.67
Sales of scrap materials	7,087,797.12	25,700,264.58
Service	2,485,339.00	5,702,348.52
Rental	14,528,154.73	14,529,232.56
Energy	4,589,817.59	15,478,663.12
Others	7,108,054.91	11,089,099.94
Total	37,847,987.04	104,406,634.39
Costs of other business		
Sale of materials	3,652,671.21	29,832,841.15
Sales of scrap materials	354,288.04	10,044,096.72
Service	1,529,120.77	4,218,850.36
Rental	3,520,023.13	6,214,967.98
Energy	2,320,357.02	6,324,061.50
Others	3,274,575.68	7,797,321.16
Total	14,651,035.85	64,432,138.87

2. *Revenue from contracts*

Breakdown of contracts	Shipbuilding and related business segment	Steel structure engineering business segment	Ship maintenance and related business segment	Others segment	Total
Product type	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	7,816,085,319.68
Ship products	6,321,473,680.35				6,321,473,680.35
Offshore engineering products	320,165,116.54				320,165,116.54
Steel structure engineering	929,049.62	320,013,669.12		7,359,031.24	328,301,749.98
Ship maintenance and modification	83,316,543.30		279,054,865.73		362,371,409.03
Electromechanical products and others	162,437,559.52			58,320,367.30	220,757,926.82
Other business	80,423,704.04			182,591,732.92	263,015,436.96
By region of operation	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	7,816,085,319.68
Domestic	3,693,912,513.52	180,437,946.66	58,315,727.75	225,595,176.18	4,158,261,364.11
Overseas	3,274,833,139.85	139,575,722.46	220,739,137.98	22,675,955.28	3,657,823,955.57
Type of market or customer	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	7,816,085,319.68
State-owned enterprises	2,599,631,367.36	164,478,707.78	49,106,509.89	78,988,341.26	2,892,204,926.29
Private enterprises	3,867,938,796.09	23,465,968.81	9,209,217.86	167,854,769.23	4,068,468,751.99
Foreign enterprises	501,175,489.92	132,068,992.53	220,739,137.98	1,428,020.97	855,411,641.40
Type of contracts	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	7,816,085,319.68
Fixed price	6,968,745,653.37	196,715,382.04	905,172.41	69,064,305.20	7,235,430,513.02
Cost plus		123,298,287.08	278,149,693.32	179,206,826.26	580,654,806.66
By date of transfer of goods	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	7,816,085,319.68
Performed over time	6,905,661,984.15	179,564,510.05	2,823,694.00	132,267,914.90	7,220,318,103.10
Performed at a point in time	63,083,669.22	140,449,159.07	276,231,171.73	116,003,216.56	595,767,216.58
By contract term	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	7,816,085,319.68
Short-term	75,738,200.94	197,972,109.51	279,054,865.73	-6,607,101.88	546,158,074.30
Long-term	6,893,007,452.43	122,041,559.61		254,878,233.34	7,269,927,245.38
By sales channel	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	7,816,085,319.68
Direct sales	6,968,745,653.37	320,013,669.12	279,054,865.73	244,561,434.53	7,812,375,622.75
Sale through distributors				3,709,696.93	3,709,696.93
Total	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	7,816,085,319.68

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3. Note on contract performance obligations

The Group's contract performance obligations represent mainly the construction, delivery and maintenance of ships and ancillary products. The time of contract performance obligation substantially corresponds to the ship completion progress, mainly includes those for construction commencement, closure, docking, launch, trial sailing and delivery. The time and proportion of progress payment are set out in the contracts between the Group and its customers, and the parties perform the relevant obligations in accordance with the terms of the contracts. In case of any default or failure by any party to timely perform a contract, the Group is required to return the advance payment from the customer and contract assets which have been generated if it is the Group's default, and the Group has the right to request the customer to continue to perform the contract or compensate the Group for the cost and profit for contract performance if it is the customer's default. The warranty period of a contract is generally one year. The Group is required to provide repair services free of charge for any defects arising from unintentional reason, navigation risk and natural damages.

4. Note on allocation to remaining contract performance obligations

The amount of revenue corresponding to the contract performance obligations for which contracts had been entered into and which had not been performed or fully performed as at the end of the Reporting Period was RMB55,285,845,900, of which RMB17,893,989,600 is expected to be recognised as revenue in 2019; RMB19,801,565,200 is expected to be recognised as revenue in 2020.

5. Top five customers by operating income

Customers	Relationship with the Group	Current period	Percentage of total income from principal business (%)
Customer 1	Third party	691,944,284.78	8.90
Customer 2	Third party	456,897,852.00	5.87
Customer 3	Third party	377,859,124.01	4.86
Customer 4	Third party	274,535,038.40	3.53
Customer 5	Third party	206,390,040.12	2.65
Total		2,007,626,339.31	25.81

6. Purchase amounts from top five suppliers

Customers	Relationship with the Group	Current period	Percentage of total income from principal business (%)
Supplier 1	Under common control of CSSC	1,744,639,226.04	22.92
Supplier 2	Third party	221,197,400.00	2.91
Supplier 3	Under common control of CSSC	181,604,631.22	2.39
Supplier 4	Under common control of CSSC	146,000,854.71	1.92
Supplier 5	Under common control of CSSC	119,551,400.00	1.57
Total		2,412,993,511.97	31.71

(50) Taxes and surcharges

Item	Amount for the period	Amount for the last period
Property tax	14,575,633.85	16,957,106.87
Stamp duty	6,005,411.55	7,403,297.57
City maintenance and construction tax	3,520,834.17	6,833,406.68
Educational surcharge	2,512,996.63	4,872,769.74
Land use tax	5,196,000.51	4,008,755.85
Vehicle usage tax	133,715.53	164,978.35
Environmental protection tax	849,031.84	312,567.97
Total	32,793,624.08	40,552,883.03

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(51) **Selling expenses**

Item	Amount for the period	Amount for the last period
Employee benefits	12,647,868.89	13,326,626.8
Business expenditure	1,719,052.66	1,439,298.71
Transportation fees	910,383.10	1,642,643.26
Advertising publicity fee	493,409.80	1,495,641.58
Exhibition fees	487,580.01	1,841,920.55
Depreciation charge	29,274.22	33,598.96
Product quality warranty	-10,744,163.17	8,590,312.68
Other selling expenses	3,004,434.46	2,664,645.00
Total	8,547,839.97	31,034,687.54

(52) **Administrative expenses**

Item	Amount for the period	Amount for the last period
Employee benefits	183,547,212.73	203,749,571.69
Repairing expenses	55,209,538.17	49,223,323.03
Depreciation charge	28,510,103.24	27,462,616.51
Amortisation of intangible assets	26,950,961.64	28,042,125.59
Labour service fee	14,874,660.46	11,102,190.16
Lease expenses	13,984,242.48	11,614,706.98
Transportation fees	11,500,703.98	13,306,505.74
Security, firefighting and safety activity fee	6,313,103.61	11,603,241.31
Travelling expense	4,170,896.21	3,663,137.81
Utilities expense	3,963,566.99	2,321,450.89
Business entertainment expense	2,448,023.33	2,679,466.87
Insurance premium	2,217,957.60	1,761,526.68
Information management fee	2,135,281.40	1,838,235.20
Consulting fee	1,696,079.78	2,806,185.13
Sewage charges	1,504,646.63	1,521,547.36
Office expenses	1,388,178.02	1,414,592.86
Board meeting fee	1,258,782.12	1,792,044.43
Intermediary fee	1,075,499.94	641,263.84
Other administrative expenses	11,392,590.15	15,723,176.87
Total	374,142,028.48	392,266,908.95

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(53) Research and development expenses

Item	Amount for the period	Amount for the last period
Research of key welding technologies for polar condensate tanker hull	18,653,788.71	2,137,357.55
Development of DFDS600Passenger/4,500 meters lane luxury Ro/Ro ships	15,569,894.11	–
Maine low-speed machine innovation project (Phase 1)	9,081,686.66	–
Research and development of North Africa ro-ro passenger ships with 1,800 passengers	8,744,507.78	13,867,552.40
Research and manufacturing of the 3rd generation of 50,000 tons of chemicals/oil tankers	8,401,731.68	3,635,369.40
Key technology research on design and construction of 4,000 kw marine rescue ship	8,141,487.51	320,382.89
Research on key technology of design and construction of 800-ton wind power operation platform of Zhengli	8,044,575.27	300,253.54
Research on key technology of GM-J180A wind power residential platform design and construction	7,535,121.24	192,861.66
Research on key technology of design and construction of self-propelled immersed pipe installation and transportation Ship	7,395,013.15	254,972.07
Research on key technology of design and construction of steel pipe sinking pipe in Shenzhen-Zhongshan Bridge	6,670,015.07	241,371.15
Research and development of key technologies for design and building of 1,200 tons wind power installation platform	5,376,793.25	302,183.17
CATIA-based ship design application research and secondary development	5,299,248.69	1,699,761.73
Research on key technology of design and construction of 82,000 ton bulk carrier	4,069,666.04	165,530.59
Research of new process and technologies of marine ships	3,746,138.85	277,408.17
Research and development of high-speed marine police ships	3,566,120.29	5,374,797.46
Research and application of key technology of unmanned ship quality comprehensive test platform	3,319,279.71	–
Research on key technology of design and construction of ocean comprehensive resources survey ship	3,312,633.27	1,543,623.93
Development of 2038TEU-class feeder containership	3,131,590.92	–
Research and development of key technologies for smart manufacturing	2,722,947.74	4,260,920.31
Development of 1500TEU-class containership	2,662,190.40	–
Research of common key processes and technologies for smart manufacturing of ships	2,659,076.02	479,232.83
Technical center construction	2,591,046.10	24,246.91
Development of water surface support and security system for 11,000 manned submersible	2,589,364.77	1,673,742.33
Research on key technology of double wire CMT welding of duplex stainless steel of chemical tanker	2,288,435.96	–
Research on forming technology of jacket thick plate coil	2,270,120.50	–
Research on new process and tooling and research on application of new materials for ships (phase I)	2,230,379.30	428,966.37
Hospital work plan management and control system	2,230,189.29	–
Research on new process technology of XX6/6A light ship	2,199,419.05	277,830.57
Research on new craft technology of medium boat	2,193,849.99	362,165.26
Research of key technologies for designing and building of marine police remould ships	2,174,329.69	342,065.51
Other scientific and research projects	67,519,739.64	163,288,137.31
Total	226,390,380.65	201,450,733.11

(54) Finance cost

Item	Current period	Corresponding period of last year
Interest expenses	195,683,733.87	185,234,311.41
Less: Interest income	128,327,120.98	107,911,578.77
Less: Net exchange gains	–	–
Add: Net exchange losses	9,530,677.58	27,617,939.02
Add: Other expenses	9,341,273.01	4,377,508.88
Total	86,228,563.48	109,318,180.54

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1. 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	167,155,568.34	186,321,275.57
Other borrowings		
Interest on other borrowings due within 5 years	48,418,643.84	21,514,993.95
Other interest expenses		
Sub-total	215,574,212.18	207,836,269.52
Less: Interest capitalised	640,478.31	2,391,958.11
Less: Finance interest discount	19,250,000.00	20,210,000.00
Total	195,683,733.87	185,234,311.41

2. Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	127,146,879.69	102,519,715.02
Interest income from receivables	1,180,241.29	5,391,863.75
Total	128,327,120.98	107,911,578.77

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(55) Other income

Item	Amount for the period	Amount for the last period	Source and basis	Relating to assets/ income
Offshore expansion projects	1,750,000.02	1,750,000.00	Local government grants	Relating to assets
Guangzhou Business Development Special Fund Service Trade and Service Outsourcing	1,045,300.00	200,000.00	Guangzhou Municipal Finance Bureau	Relating to income
Immediately refunded value-added tax	825,936.79	345,136.61	Guangzhou Tianhe District State Taxation Bureau	Relating to income
Offshore engineering phase I	750,000.00	750,000.00	Local government grants	Relating to assets
2018 Technology Innovation Income	303,300.00		Guangzhou Technological Innovation Committee	Relating to income
Enterprise technology centre innovation capability development project	150,000.00	150,000.00	Central finance	Relating to income
Offshore platform project	150,000.00	150,000.00	Local government grants	Relating to assets
Special fund for economic development advancement	120,969.99		Guangzhou Commerce Bureau	Relating to income
Refund of individual income tax	49.55		Guangzhou Taxation Bureau	Relating to income
Subsidy for high-tech enterprise certification for 2016		120,000.00	Guangzhou Technological Innovation Committee	Relating to income
Patent grant		179,200.00	Guangzhou Intellectual Property Office	Relating to income
Award for passing high-tech enterprise certification for 2016		280,000.00	Nansha District Technology and Information Bureau	Relating to income
2015-2016 Nansha District Quality Promotion Award		900,000.00	Nansha District Finance Bureau	Relating to income
Government subsidy for "Exploration No. 1" 4500 meters experimental application		2,000,000.00	Research of comprehensive building process and technology	Relating to income
Government subsidy for "Exploration No. 1" water surface support and security system development for 11,000 manned submersible		1,000,000.00	Research of comprehensive building process and technology	Relating to income
Ship optimisation payment contract subsidy		120,000.00	Guangzhou Technological Innovation Committee,	Relating to income
Intellectual property advantages enterprise promotion projects		100,000.00	Guangzhou Intellectual Property Office,	Relating to income
Other government grants	421,991.05	395,583.69		Relating to assets
Total	5,517,547.40	8,439,920.30		

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(56) Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	-2,542,980.91	-4,716,485.94
Investment income from disposal of long-term equity investments		-42,655.82
Investment income from holding entrusted wealth management products	9,700,821.37	25,683,820.27
Investment income from disposal of financial assets held-for-trading	-207,793,580.00	-548,000.00
Dividend income from holding investments in other equity instruments	12,500.00	13,750.00
Total	-200,623,239.54	20,390,428.51

Other description: Investment income from investment in listed companies and non-listed companies for the period amounted to RMB0 (corresponding period of last year: RMB0) and RMB-200,635,739.54 (corresponding period of last year: RMB20,390,428.51), respectively.

(57) Gain on change in fair value

Source of gain on change in fair value	Current period	Corresponding period of last year
Change in fair value of financial assets held-for-trading	31,425,173.63	5,200,410.94
Change in fair value of held-for-trading financial liabilities	233,024,977.65	-226,620,700.92
Total	264,450,151.28	-221,420,289.98

(58) Credit impairment loss

Item	Amount for the period	Amount for the last period
Loss on bad debts of accounts receivable	-4,976,157.71	-3,976,061.20
Loss on bad debts of other receivables	-3,494,329.02	-5,842,286.20
Loss on bad debts of long-term receivables	19,210.88	
Total	-8,451,275.85	-9,818,347.40

(59) Loss on impairment of assets

Item	Amount for the period	Amount for the last period
Loss on impairment of inventories and contract performance cost	-69,618,896.09	-80,048,917.97
Total	-69,618,896.09	-80,048,917.97

(60) Gain on disposal of assets

Item	Amount for the period	Amount for the last period
Gain on disposal of non-current assets	-249,851.06	
Total	-249,851.06	

Note: Asset disposal gains are income from disposal of fixed assets that are not classified as held for sale.

Other explanations:

The amount included in non-recurring profit and loss for current period was RMB-249,851.06 (corresponding period of last year: RMB0).

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(61) Non-operating income

1. Breakdown of non-operating income

Item	Corresponding period		Amount included in non-recurring gains and losses for current period
	Current period	of last year	
Total gain on disposal of non-current assets	447,925.19	40,516.04	447,925.19
Including: Gain on disposal of fixed assets	447,925.19	40,516.04	447,925.19
Government grants	3,157,656.14	1,497,926.10	3,157,656.14
Compensation for assets relocation	1,247,867,578.32	553,814,885.69	1,247,867,578.32
Penalty income	167,217.00	94,929.26	167,217.00
Compensation income		1,100,424.56	
Transfer from claims under the balance of social security fund		7,251,931.72	
Others	1,448,874.36	505,110.21	1,448,874.36
Total	1,253,089,251.01	564,305,723.58	1,253,089,251.01

The amount included in non-recurring gains and losses for the current period was RMB1,253,089,251.01 (corresponding period of last year: RMB564,305,723.58).

Note: On 26 April 2019, the subsidiary Wenchong Shipyard and Guangzhou Wenchong Industrial Co., Ltd. (hereinafter referred to as "Wenchong Industrial") signed the First Phase Relocation Agreement of Wenchong Shipyard, which agreed that Wenchong Shipyard will stop the entire production and operation activities on the first phase of the relocation site before 26 April 2019, and the relevant assets will be handed over. Wenchong Industrial will compensate accordingly according to the compensation standard for the relocation and resettlement losses of the first phase of relocation site, and after deducting the relevant expenses, RMB1.248 billion of compensation income is recognized in the current period.

2. Government grants included in current profit or loss

Item	Corresponding period		Relating to assets/relating to revenue
	Current period	of last year	
Grants for use of onshore power by berthing ships	2,120,000.00		Relating to revenue
Separation and transfer of water, power and gas supply and property management business	910,064.94	910,064.94	Relating to revenue
Quality project funding	96,499.80		Relating to revenue
Base construction subsidy	31,091.40	31,091.40	Relating to assets
Special funds for fair trade in imports and exports		300,000.00	Relating to revenue
Trade friction response research fund		165,000.00	Relating to revenue
Other projects		91,769.76	Relating to revenue
Total	3,157,656.14	1,497,926.10	-

3. Description of profit from disposal of properties

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

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(62) Non-operating expenses

Item	Amount for the period	Amount for the last period	Amount included in non-recurring gains and losses for current period
Total losses on disposal of non-current assets	399,432.35	494,343.25	399,432.35
Including: Loss on disposal of fixed assets	399,432.35	494,343.25	399,432.35
External donation expenses	5,400.00		5,400.00
Penalty	847,754.83	100,193.82	847,754.83
Others	373,326.39	56,875,211.91	373,326.39
Total	1,625,913.57	57,469,748.98	1,625,913.57

Other explanations:

Explanation : The amount included in non-recurring gains and losses for the period is RMB1,625,913.57 (corresponding period of last year: RMB57,469,748.98).

(63) Income tax expense

1. Income tax expense sheet

Item	Current period	Corresponding period of last year
Current income tax expense	29,434,469.43	-5,941,046.06
Deferred income tax expense	64,550,523.50	-26,953,618.37
Total	93,984,992.93	-32,894,664.43

Note: breakdown of current income tax

Item	Current period	Corresponding period of last year
Current income tax – PRC enterprise income tax	29,434,469.43	-5,941,046.06
1. China	29,475,982.38	1,309,880.47
2. Hong Kong		
3. Macau income tax		
4. Overprovision (underprovision) of previous years	-41,512.95	-7,250,926.53

2. Reconciliation of accounting profit and income tax expenses

Item	Current period	Corresponding period of last year
Total profit	703,609,855.79	-459,773,320.13
Income tax expenses calculated at statutory/applicable tax rate	175,902,463.95	-114,943,330.03
Impact of different tax rates for subsidiaries	-122,732,804.36	27,355,244.76
Impact of adjustment for income tax for previous period	-398,986.13	-7,653,583.87
Impact of non-taxable income	-761,970.24	1,222,888.68
Impact of non-deductible costs, expenses and losses	95,539.58	-242,746.18
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-73,186,503.66	-5,545,281.99
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	131,984,166.14	66,968,060.93
Others (additional deduction effect)	-16,916,912.35	-55,916.73
Income tax expense	93,984,992.93	-32,894,664.43

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(64) Other comprehensive income

Please refer to Note VI.(41) "Other comprehensive income" for details.

(65) Audit fees and auditors

The audit fees charged for 2019 are RMB1.9 million (2018: RMB2.42 million). The auditors engaged by the Company are WUYIGE Certified Public Accountants LLP, which is newly engagement in 2019.

(66) Depreciation and amortisation

	Current period	Corresponding period of last year
Depreciation of investment properties	314,356.08	314,356.08
Depreciation of fixed assets	363,588,104.88	393,699,755.60
Amortisation of intangible assets	31,133,922.41	31,550,265.83
Amortisation of long-term prepaid expenses	7,361,072.30	1,845,410.10
Depreciation of right-of-use assets	26,287,149.55	
Total	428,684,605.22	427,409,787.61

(67) Gain on disposal of investments or properties

Included in gain on disposal of investments during the period was the gain of RMB0 for the sale of non-trading equity instruments investment (corresponding period of last year: RMB188,161.90) and RMB0 for disposal of long-term equity (corresponding period of last year: the investment income recovered from written off of the subsidiary Longxue Properties is RMB-42,655.82).

(68) Operating rental expense

Operating rental expense for the period is RMB20,773,317.16 (corresponding period of last year: RMB34,036,433.84), of which rental expense for machinery and equipment is RMB9,044,446.69 (corresponding period of last year: RMB7,132,453.44).

(69) Rental income

Operating rental income for the period is RMB22,991,322.25 (corresponding period of last year: RMB29,155,198.87), including rental income from land and buildings of RMB17,772,859.83 (corresponding period of last year: RMB4,813,983.80).

(70) Earnings per share

Basic earnings per share shall be calculated by profit or loss attributable to ordinary equity holders of the Company (the numerator) divided by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The numerator of the diluted earnings per share attributable to ordinary shareholders is the Company's net profit after adjustment of the following factors: (1) the recognised interest expense of dilutive potential ordinary shares; (2) income or expense that would result from the conversion of dilutive potential ordinary shares; and (3) the related income tax effects of the above adjustments.

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

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

Profit for the Reporting Period	Current period	Corresponding period of last year
Net profit attributable to shareholders of the Parent Company	390,750,329.92	-361,945,458.99
Non-recurring gains and losses attributable to the Parent Company	812,658,713.76	122,148,141.24
Net profit attributable to shareholders of the Parent Company, net of non-recurring gains and losses	-421,908,383.84	-484,093,600.23
Total number of shares at the beginning of the year	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)		
Number of shares increased due to issuance of new shares or debt for equity swap (II)		
Number of months from next month to the period-end regarding the number of shares (II)		
Number of shares decreased due to stock repurchase		
Number of months from the next month to the period-end regarding the decrease of shares		
Number of shares decreased due to capital reduction		
Number of months in the Reporting Period	6	6
Weighted average number of ordinary shares outstanding	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	1,413,506,378.00	1,413,506,378.00
Basic earnings per share(I)	0.2764	-0.2561
Basic earnings per share(II)	-0.2985	-0.3425
Potential diluted interests of ordinary shares recognised as expense		
Transfer fee		
Income tax rate	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.		
Diluted earnings per share (I)	0.2764	-0.2561
Diluted earnings per share (II)	-0.2985	-0.3425

(71) Dividends

Final dividends for the year ended 31 December 2018 totaling RMB0 (corresponding period of last year: RMB0) were declared and paid during the six months ended 30 June 2019.

The Company will not distribute the interim dividends for the six month period ended 30 June 2019 (corresponding period of last year: Nil).

(72) Supplementary information on consolidated income statement

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

Item	Current period	Corresponding period of last year
Raw materials consumed	4,879,963,376.09	5,634,126,600.44
Employee compensation expenses	1,564,215,909.76	1,743,640,996.62
Depreciation expenses	324,292,151.32	362,229,032.81
Amortisation expenses	35,314,609.64	32,448,234.46
Product fee	954,534,893.33	767,777,735.03
Power fee	155,260,619.52	163,716,296.83
Others	322,359,490.25	304,110,928.17
Total	8,235,941,049.91	9,008,049,824.36

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(73) 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
Relocation compensation	764,000,000.00	
Receipt/recovery of deposit	156,704,538.17	20,166,665.63
Other current account received	86,051,068.98	171,760,371.40
Government grants	69,420,766.00	66,587,217.00
Interest income	60,146,945.23	47,397,801.78
Insurance premium	1,089,878.90	3,494,172.20
Other non-operating income	526,722.18	3,488,851.82
Total	1,137,939,919.46	312,895,079.83

Note on other cash receipts relating to operating activities: none.

2) Other cash payments relating to operating activities

Item	Current period	Corresponding period of last year
Refundable deposit/deposit paid	85,445,577.96	115,260,145.11
Administrative expense	52,598,657.18	64,145,356.14
Selling expenses	1,183,462.74	5,404,656.99
R&D expenses	4,162,408.36	
Bank charges	5,444,248.69	2,328,818.63
Non-operating expenses	603,717.78	6,416,813.31
Warranty expenses		40,110,365.06
Payment of other current accounts	158,703,045.53	435,885,636.34
Total	308,141,118.24	669,551,791.58

Note on other cash payments relating to operating activities: none

3) Other cash receipts relating to investing activities

Item	Current period	Corresponding period of last year
Fixed deposit interest income	67,652,253.76	62,457,109.06
Release of pledge on fixed deposits	1,604,499,856.86	407,832,139.92
Gain on entrusted wealth management products	16,247,981.80	24,671,767.95
Lifting of restrictions on deposit for letter of credit		20,909,440.00
Forward settlement income	113,500.00	
Deposit for forward exchange settlement	32,124,441.29	
Total	1,720,638,033.71	515,870,456.93

Note on other cash receipts relating to investing activities: none

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

4) *Other cash payments relating to investing activities*

Item	Current period	Corresponding period of last year
Relocation and other expenses	70,667,697.76	56,632,388.05
Fixed deposit pledge	2,311,760,875.72	1,988,849,420.00
Entrusted wealth management products		70,000,000.00
Deposit for forward exchange settlement	12,469,663.60	76,629,815.06
Long-term prepaid expenses		391,650.50
Decrease in cash from disposal of subsidiaries		60,448.29
Total	2,394,898,237.08	2,192,563,721.90

Note on other cash payments relating to investing activities: none

5) *Other cash receipts relating to financing activities*

Item	Current period	Corresponding period of last year
State grant	167,000,000.00	77,500,000.00
Total	167,000,000.00	77,500,000.00

Note on other cash receipts relating to financing activities: none

6) *Other cash payments relating to financing activities*

Item	Current period	Corresponding period of last year
Loan handling fee		1,002,400.00
Total		1,002,400.00

Note on other cash payments relating to financing activities: none

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

2. Supplementary information on consolidated cash flow statement

Supplementary information	Current period	Last period
1) Reconciliation of net profit and cash flows from operating activities:		
Net profit	609,624,862.86	-426,878,655.70
Add: Provision for impairment of assets	69,618,896.09	80,048,917.97
Credit impairment loss	8,451,275.85	9,818,347.40
Depreciation of fixed assets, consumption of oil and gas assets, Depreciation of productive biological assets	390,189,610.51	394,014,111.68
Amortisation of intangible assets	31,133,922.41	31,550,265.83
Amortisation of long-term prepaid expenses	7,361,072.30	1,845,410.10
Loss on disposal of fixed assets, intangible assets and other long-term assets	249,851.06	-
Loss on disposal of fixed assets	-48,492.84	453,827.21
Loss on changes in fair value	-264,450,151.28	221,420,289.98
Finance cost	211,891,949.44	127,337,794.87
Loss on investments	200,623,239.54	-20,390,428.51
Decrease in deferred tax assets	64,276,280.95	-27,620,883.36
Increase in deferred tax liabilities	-664,466.66	695,489.28
Decrease in inventories	-1,500,890,382.51	-1,556,561,437.93
Decrease in operating receivables	-2,172,711,212.45	-1,382,472,621.73
Increase in operating payables	-855,133,570.23	30,321,143.73
Others		
Net cash flows from operating activities	-3,200,477,314.96	-2,516,418,429.18
2) Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
3) Net changes in cash and cash equivalents		
Ending balance of cash	4,848,324,051.89	7,494,671,501.50
Less: Beginning balance of cash	8,536,815,355.09	11,634,582,111.41
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-3,688,491,303.20	-4,139,910,609.91

3. Net cash paid for acquisition of subsidiaries during the current period

None

4. Net cash received for disposal of subsidiaries during the current period

None

5. Composition of cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	4,848,324,051.89	8,536,815,355.09
Including: Cash on hand	193,091.04	194,222.57
Bank deposits available for use on demand	4,848,128,975.85	8,536,592,047.52
Other cash at bank and on hand for use on demand	1,985.00	29,085.00
Deposit in central bank can be used for payment		
Deposit in peers		
Disbursement of interbank payments		
Cash equivalents		
Cash and cash equivalents at the end of the period	4,848,324,051.89	8,536,815,355.09

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From 1 January 2019 to 30 June 2019

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

(74) **Assets subject to restrictions in ownership or use right**

Item	Ending carrying value	Reasons for restrictions
Cash at bank and on hand	2,185,375,994.19	Borrowing pledge, fixed deposits with maturity of over 3 months, letters of guarantee/bills/forward exchange settlement deposit, etc.

(75) **Foreign currency monetary items**

Item	Ending balance of foreign currency	Translation rate	Ending balance denominated in RMB
Cash at bank and on hand			
Including: USD	70,655,219.96	6.8747	485,733,440.66
EUR	3,140,930.28	7.8170	24,552,652.00
JPY	125,329.00	0.0638	7,995.99
HKD	107,745,114.02	0.87966	94,779,067.00
Norwegian Krone	6.49	1.2381	8.04
GBP	917.30	8.7113	7,990.88
Accounts receivable			
Including: USD	225,376,484.35	6.8747	1,549,395,716.96
EUR	2,082.30	7.8170	16,277.34
HKD	6,237,591.25	0.8797	5,487,209.02
MOP	3,277,585.17	0.8553	2,803,318.60
Interest receivable			
Including: USD	122,100.98	6.8747	839,407.61
HKD	183,370.52	0.8796	161,292.71
Other receivables			
Including: USD	2,529,424.44	6.8747	17,389,034.20
EUR	110,400.00	7.8170	862,996.80
HKD	12,606,167.95	0.8796	11,088,385.33
Long-term receivables			
Including: USD	30,138,650.66	6.8747	207,194,181.69
Short-term borrowings			
Including: USD	31,444,408.50	6.8747	216,170,875.11
Accounts payable			
Including: USD	3,064,624.48	6.8747	21,068,373.91
HKD	1,543,823.10	0.8796	1,357,946.80
EUR	55,200.00	7.8170	431,498.40
Interest payable			
Including: USD	10,444.40	6.8747	71,802.12
Other payables			
Including: USD	2,579,253.99	6.8747	17,731,597.41
HKD	18,558,286.50	0.8797	16,325,724.63

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(76) Government grants

1. Basic information on government grants

Type	Amount	Item presented	Amount included in current profit or loss
Post-utilisation grant for research and development expenses of enterprises of Guangzhou for 2017	15,610,000.00	Research and development expenses	15,610,000.00
Interest subsidy for transformation into civil development	12,250,000.00	Finance cost	12,250,000.00
Development and industrialization of multi-functional intelligent unmanned boats in complex marine environment	11,694,700.01	Deferred income	
National skilled personnel training in 2018	7,966,094.34	Deferred income	
Mother ship renovation project	7,373,770.52	Deferred income	
Technical center construction (including post-grant)	6,202,800.00	Research and development expenses	6,202,800.00
Subsidy for high-quality projects	5,677,416.90	Deferred income	
Interest subsidy for transformation into civil development	5,600,000.00	Finance cost	5,600,000.00
Offshore expansion projects	5,250,000.33	Deferred income	
F180520/Research of common key processes and technologies for smart manufacturing of ships	4,700,000.00	Deferred income	
Post grant for the new generation of information technology industry and new industry special industrial internet platform construction of 2019 Guangzhou "Made in China" industrial development fund	3,500,000.00	Research and development expenses	3,500,000.00
Separation and transfer of water, power and gas supply and property management business	3,312,032.04	Deferred income	
Research on manufacturing control technology of hull section intelligent workshop	2,792,066.80	Deferred income	
F180520/Research of common key processes and technologies for smart manufacturing of ships	2,500,000.00	Research and development expenses	2,500,000.00
Localization and application verification of 1561 aluminum alloy (Russian) and its supporting materials	2,500,000.00	Deferred income	
Offshore engineering phase I	2,250,000.00	Deferred income	
Specific subsidy for port-stop ships to use shore power of Guangzhou Port Authority	2,120,000.00	Non-operating income	2,120,000.00
Key technology research and system development of semi-submersible submersible wisdom control	2,000,000.00	Research and development expenses	2,000,000.00
Research of energy-saving and environment-friendly manufacturing system and key processes	1,905,446.11	Deferred income	
Research of comprehensive building process and technology	1,809,797.63	Deferred income	
Offshore expansion projects	1,750,000.02	Other income	1,750,000.02
Post-R&D grant	1,650,000.00	Deferred income	
Research of comprehensive building process and technology	1,534,242.65	Deferred income	
KEY TECHNOLOGY OF F180568/XXB OVERALL PROCESS	1,500,000.00	Research and development expenses	1,500,000.00
Base construction subsidy	1,467,843.59	Deferred income	
Research of comprehensive building process and technology	1,446,744.83	Research and development expenses	1,446,744.83
Interest subsidy for transformation into civil development	1,400,000.00	Finance cost	1,400,000.00
09E01-3	1,400,000.00	Deferred income	
Integration and promotion of active safety protection technology for ship industry control system	1,385,511.01	Research and development expenses	1,385,511.01
Offshore platform project	1,350,000.00	Deferred income	
Guangzhou business development special fund service trade and service outsourcing from Guangzhou Municipal Commission of Commerce for 2019	1,045,300.00	Other income	1,045,300.00
Localization and application verification of 1561 aluminum alloy (Russian) and its supporting materials	1,000,000.00	Research and development expenses	1,000,000.00
Research on integrated application technology of smart logistics and accurate distribution unit in ship construction process	1,000,000.00	Deferred income	
Separation and transfer of water, power and gas supply and property management business	910,064.94	Non-operating income	910,064.94
F180534/Research on manufacturing control technology of hull section intelligent workshop	900,000.00	Research and development expenses	900,000.00
Immediately refunded value-added tax	825,936.79	Other income	825,936.79
Offshore engineering phase I	750,000.00	Other income	750,000.00
Integration and promotion of active safety protection technology for ship industry control system	714,488.99	Deferred income	
13D01	616,900.00	Deferred income	
F180534/Research on manufacturing control technology of hull section intelligent workshop	600,000.00	Deferred income	
No. 1 Dock adaptive transformation (1)	583,333.00	Deferred income	

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Type	Amount	Item presented	Amount included in current profit or loss
Research of key technologies for heavy polar icebreakers	510,000.00	Research and development expenses	510,000.00
Intellectual property rights civil and military integration pilot organization cultivating plan and plan direction project	500,000.00	Deferred income	
R&D center grant	500,000.00	Deferred income	
No. 1 Dock adaptive transformation	466,667.32	Deferred income	
Research of comprehensive building process and technology	466,117.58	Research and development expenses	466,117.58
150-ton self-propelled hydraulic flatbed trailer	458,333.21	Deferred income	
Research on intelligent management technology of digital production logistics in shipyard based on internet of things	450,000.00	Research and development expenses	450,000.00
Post-grant for R&D funds investment from Guangzhou Technological Innovation Committee for 2018	431,900.00	Research and development expenses	431,900.00
Research on manufacturing control technology of hull section intelligent workshop	428,517.14	Research and development expenses	428,517.14
Coating technology process and transformation (painting workshop construction)	409,862.92	Deferred income	
Research and construction of key technologies for open test sites for smart unmanned ships	401,229.29	Deferred income	
Technological transformation excavation & diving fund – technical upgrading of new equipment for the development of 40,000 tons of ships	355,478.88	Deferred income	
Research and construction of key technologies for open test sites for smart unmanned ships	318,770.71	Research and development expenses	318,770.71
Development and industrialization of multi-functional intelligent unmanned boats in complex marine environment	305,299.99	Research and development expenses	305,299.99
Technology innovation income of Guangzhou Technological Innovation Committee for 2018	303,300.00	Other income	303,300.00
Seventh batch of science and technology funds of Nansha District Finance Bureau in 2011	299,812.00	Deferred income	
Research of common key processes and technologies for smart manufacturing of ships	278,441.77	Research and development expenses	278,441.77
Guangzhou innovative enterprise	273,555.11	Deferred income	
Research of common key processes and technologies for smart manufacturing of ships	253,385.95	Deferred income	
Research on intelligent management technology of digital production logistics in shipyard based on internet of things	200,000.00	Deferred income	
Research on ship shafting durability improvement technology	199,289.31	Research and development expenses	199,289.31
New district noise control project	152,653.70	Deferred income	
Offshore platform project	150,000.00	Other income	150,000.00
F180567/Research on friction stir welding technology for fillet welds of ship aluminum alloy ribbed wall plates	150,000.00	Deferred income	
F180567/Research on friction stir welding technology for fillet welds of ship aluminum alloy ribbed wall plates	150,000.00	Research and development expenses	150,000.00
Research of technologies for smart service production scheduling for complex shipbuilding environment	150,000.00	Research and development expenses	150,000.00
Project Smart Ship 1.0 – demonstration application of super large intelligent ore ship	150,000.00	Research and development expenses	150,000.00
Research and application of high-power laser-arc hybrid welding technology for marine high-strength steel	150,000.00	Deferred income	
Enterprise technology centre innovation capability development project	150,000.00	Other income	150,000.00
Enterprise technology centre innovation capability development project	150,000.00	Other income	150,000.00
F170511/Research on advanced solid/fused welding technology for thin-wall hull of aluminum alloy special ship	140,000.00	Research and development expenses	140,000.00
Special fund for economic development advancement from Guangzhou Commerce Bureau for 2018	120,969.99	Other income	120,969.99
Promotion and application of ship construction resource scheduling and production process modeling and simulation technology	120,000.00	Research and development expenses	120,000.00
Painting workshop noise management project	118,420.98	Deferred income	
Standardization fee	105,378.65	Deferred income	
F170511/Research on advanced solid/fused welding technology for thin-wall hull of aluminum alloy special ship	100,000.00	Deferred income	
Subsidy for high-quality projects	96,499.80	Non-operating income	96,499.80
Research of energy-saving and environment-friendly manufacturing system and key processes	86,564.86	Research and development expenses	86,564.86

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Type	Amount	Item presented	Amount included in current profit or loss
150-ton self-propelled hydraulic flatbed trailer	83,333.34	Other income	83,333.34
Ship pipe efficient production process technical transformation project	77,849.76	Other income	77,849.76
Coating technology process and transformation (painting workshop construction)	76,849.32	Other income	76,849.32
Technological transformation excavation & diving fund – technical upgrading of new equipment for the development of 40,000 tons of ships	71,095.92	Other income	71,095.92
Accessories “Code for Aluminum Handrails for Ships” Navigation Mark Standard	70,000.00	Deferred income	
Pilot funding of China Shipbuilding NDRI Engineering Co., Ltd.	70,000.00	Other income	70,000.00
Standardization fee	51,929.60	Research and development expenses	51,929.60
Research and application of key technology of unmanned ship quality comprehensive test platform	51,480.70	Research and development expenses	51,480.70
Base construction subsidy	31,091.40	Non-operating income	31,091.40
Research on ship shafting durability improvement technology	20,240.58	Deferred income	
No. 1 Dock adaptive transformation (1)	16,666.68	Other income	16,666.68
No. 1 Dock adaptive transformation	13,333.32	Other income	13,333.32
Painting workshop noise management project	7,894.74	Other income	7,894.74
New district noise control project	4,759.98	Other income	4,759.98
Input tax plus deduction	207.99	Other income	207.99
Refund of individual income tax	49.55	Other income	49.55
Others		576,733.66	Deferred income
Total	142,118,456.20		68,258,571.04

2. Information on return of government grants

None

3. Other note

None

VII. CHANGES IN SCOPE OF CONSOLIDATION

The scope of consolidation of the Group during the Reporting Period has not changed.

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VIII. INTERESTS IN OTHER ENTITIES

(1) Interests in subsidiaries

1. Composition of the Group

Name of subsidiary	Place of registration and principal operation	Business Nature	Registered capital (RMB in 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
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
Guangji	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	142,017.8455		100.00	Business combination under common control
Xingji ^{Note 2}	Guangzhou	Professional technical services	500		37.50	Establishment through investment
Wenchuan Heavy Industrial	Guangzhou	Equipment manufacturing	11,000		100.00	Business combination under common control
Wenchong Bingshen ^{Note 4}	Guangzhou	Equipment manufacturing	560		60.00	Business combination under common control
Wah Shun	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment
Wah Loong	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment
CSSC Internet	Guangzhou	Information electronic technology services	5,000.00		100.00	Establishment through investment
Wenchong Dockyard	Guangzhou	Ship maintenance and modification	164,384.10		100.00	Business combination under common control
Fonkwang	Hong Kong	General trading	HK\$200,000		80.00	Establishment through investment
Subsidiaries indirectly held through four-level structures						
CSSC New Energy ^{Note 3}	Guangzhou	Liquefied petroleum production and supply	1,800		40.00	Establishment through investment

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Note 1: Longxue Pipe has three shareholders and is held as to 42.86% by GSI and as to 28.57% by each of CSSC Science & Technology Co., Ltd. and Shanghai Shipbuilding Technology Research Institute (both under the common control of CSSC). GSI has appointed three out of five directors of Longxue Pipe and is in a position to control the relevant activities of Longxue Pipe. As such, Longxue Pipe is included in the scope of consolidation.

Note 2: Xingji has three shareholders and is held as to 37.5% by Huangpu Wenchong, as to 37.5% by Shanghai Merchant Vessel Design and Research Institute (both 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 is in a position to control the relevant activities of Xingji. As such, Xingji is included 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 Industrial and Jutin and Yinfang, Wenchuan 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	Gain or loss attributable to minority interests for the period	Dividends declared to minority interests for the period	Ending balance of minority interests
GSI	23.58%	-98,056,296.21		1,768,951,540.04
Huangpu Wenchong	30.98%	316,062,390.32		1,440,443,744.80
Fonkwang	20.00%	-462,367.12	90,000.00	11,585,443.59

3. Major financial information on significant non-wholly-owned subsidiaries (Unit: RMB0,000)

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
GSI	1,027,296.66	1,115,954.38	2,143,251.04	1,164,101.16	321,610.30	1,485,711.46	1,062,515.17	1,116,386.11	2,178,901.28	1,154,511.78	331,750.40	1,486,262.18
Huangpu Wenchong	1,864,740.02	664,547.87	2,529,287.89	1,512,443.18	311,546.24	1,823,989.42	1,834,699.26	648,404.63	2,483,103.89	1,609,096.68	282,076.61	1,891,175.29
Fonkwang	10,236.37	110.74	10,347.11	4,486.49	67.90	4,554.39	9,571.58	35.52	9,607.10	3,538.20	0.00	3,538.20

(Continued)

Name of subsidiary	Amount for the period				Amount for 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
GSI	327,181.16	-41,524.36	-40,997.47	-107,905.00	328,964.18	-8,170.46	-8,488.75	-42,906.75
Huangpu Wenchong	453,227.00	102,056.58	102,569.87	-211,510.02	514,388.63	-33,341.19	-33,252.96	-208,562.44
Fonkwang	5,280.53	-231.18	-231.18	-637.36	1,348.34	-71.83	-71.83	630.97

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

None

NOTES TO THE FINANCIAL STATEMENTS

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(3) Interests in joint ventures or associates

1. Significant joint ventures or 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	
Nanfeng Environment Co., Ltd.	Guangzhou	Guangzhou	Ecological environment protection and environmental governance	60%		Equity method
CSSC Chengxi Yangzhou Shipbuilding Company Limited	Yangzhou	Yangzhou	Shipbuilding	49%		Equity method

2. Key financial information of significant joint ventures

Item	Nanfeng Environment Co., Ltd.	
	Ending balance/ current period	Beginning balance/ corresponding period of last year
Current assets:	184,541,438.95	309,033,123.33
Including: Cash and cash equivalents	33,772,668.60	55,834,125.49
Non-current assets	39,580,240.58	41,913,960.29
Total assets	224,121,679.53	350,947,083.62
Current liabilities	130,832,255.78	256,950,786.46
Non-current liabilities	-	-
Total liabilities	130,832,255.78	256,950,786.46
Minority interests	16,317,365.17	14,121,598.24
Equity attributable to shareholders of the Parent Company	76,972,058.58	79,874,698.92
Share of net assets based on shareholding percentage	46,183,235.15	47,924,819.35
Adjustments		
- Goodwill		
- Unrealized profit from intra-group transactions		
- Others		
Carrying amount of equity investments in joint ventures	46,183,235.15	47,924,819.35
Fair value of equity investments in joint ventures with public quoted prices		
Operating income	221,989,947.93	21,009,295.22
Finance cost	409,647.61	-167,687.81
Income tax expense	1,352,258.55	247,238.18
Net profit	-706,873.41	-7,890,951.81
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-706,873.41	-7,890,951.81
Dividends received from joint ventures during the period		

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3. Key financial information of significant associates

Item	GSI Yangzhou	
	Ending balance/ current period	Beginning balance/ corresponding period of last year
Current assets:	478,120,573.78	683,829,891.75
Including: Cash and cash equivalents	1,096,366.50	47,877,556.08
Non-current assets	1,018,303,527.00	1,015,630,437.96
Total assets	1,496,424,100.78	1,699,460,329.71
Current liabilities	188,657,557.48	392,052,311.71
Non-current liabilities		
Total liabilities	188,657,557.48	392,052,311.71
Minority interests		
Equity attributable to shareholders of the Parent Company	1,307,766,543.30	1,307,408,018.00
Share of net assets based on shareholding percentage	640,805,606.22	640,629,928.82
Adjustments	521,273.01	521,273.01
– Goodwill		
– Unrealized profit from intra-group transactions		
– Others	521,273.01	521,273.01
Carrying amount of equity investments in associates	641,326,879.23	641,151,201.83
Fair value of equity investments in associates with public quoted prices		
Operating income	300,860,797.77	161,270,095.12
Finance cost	-1,036,239.78	-836,596.95
Income tax expense	178,484.37	81,085.15
Net profit	535,453.10	246,255.44
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	535,453.10	246,255.44
Dividends received from associates during the current period	86,694.62	

4. 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	-183,158.18	306,828.15
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-960,757.52	-9,719,100.33
– Other comprehensive income		
– Total comprehensive income	-960,757.52	-9,719,100.33
Associates:		
Total carrying amount of investments	52,709,810.67	51,552,448.78
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-16,378,916.74	-14,668,642.72
– Other comprehensive income		-7,277,248.98
– Total comprehensive income	-16,378,916.74	-21,945,891.70

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

(1) Market risk

1) Foreign currency risk

The Group's foreign exchange exposure is mainly related to USD, HKD and EUR. Except that the Group is using foreign currencies including USD, HKD and EUR for sales and purchase transactions in respect of shipbuilding business, other main business operations of the Company are denominated and settled in RMB. As at the end of the period, except for assets and liabilities with balances in USD, HKD, MOP, EUR, GBP and JPY set out below, all other assets and liabilities of the Group were 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 at bank and on hand-USD	70,655,219.96	292,532,826.34
Cash at bank and on hand-HKD	107,745,114.02	107,093,975.05
Cash at bank and on hand-EUR	3,140,930.28	5,938,372.46
Cash at bank and on hand-JPY	125,329.00	125,329.00
Cash at bank and on hand-GBP	917.30	917.30
Cash at bank and on hand-Norwegian Krone	6.49	6.49
Accounts receivable-USD	225,376,484.35	99,824,027.48
Accounts receivable-HKD	6,237,591.25	18,279,072.74
Accounts receivable-EUR	2,082.30	234,772.30
Accounts receivable-MOP	3,277,585.17	
Other receivables-USD	2,529,424.44	151,500.50
Other receivables-HKD	12,606,167.95	2,424,538.69
Other receivables-EUR	110,400.00	55,200.00
Interest receivable-USD	122,100.98	171,081.93
Interest receivable-HKD	183,370.52	256,819.92
Long-term receivables due within one year-USD	9,240,000.00	
Long-term receivables-USD	30,138,650.66	62,689,864.61
Accounts payable-USD	3,064,624.48	3,441,968.13
Accounts payable-EUR	55,200.00	29,904.00
Accounts payable-HKD	1,543,823.10	343,427.35
Other payables-USD	2,579,253.99	42,991.42
Other payables-HKD	18,558,286.50	139,125.00
Interest payable-USD	10,444.40	65,000.00
Short-term borrowings-USD	31,444,408.50	60,843,270.00
Short-term borrowings-EUR		230,362.70

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 with interest rate. Floating-rate financial liabilities expose the Group to cash flow interest rate risk, and fixed-rate financial liabilities expose the Group to fair value interest rate risk. The Group adjusts the relative percentage of contracts with floating rates and fixed rates in view of the then market environment. As at the end of the period, the Group's bank borrowings mainly included fixed interest rate contracts denominated in RMB and USD with total amount of RMB9,605,740,875.11 (at the beginning of the year: RMB7,775,444,255.88) and floating interest rate contracts denominated in RMB and USD with total amount of RMB4,130,000,000.00 (at the beginning of the year: RMB5,282,562,500.00).

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 maintenance, 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 or financial guarantee related to the Group 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 the 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 RMB1,871,695,470.61 (at the beginning of the year: RMB1,101,351,154.29) in total; long-term receivables amounted to RMB2,176,499,290.71 (at the beginning of the year: RMB2,105,762,445.69) 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 RMB30,839 million (at the beginning of the year: RMB36,161 million).

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The analysis of financial assets and financial liabilities held by the Group by maturity of undiscounted remaining contractual obligations is as follows:

Ending balance:

Item	Within one year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets	12,851,618,137.59	659,913,314.48	1,084,999,115.48	71,478,588.58	14,668,009,156.13
Cash at bank and on hand	7,033,700,046.08				7,033,700,046.08
Financial assets held-for-trading	47,015,330.33				47,015,330.33
Notes receivable	102,780,137.27				102,780,137.27
Accounts receivable	3,556,720,649.13				3,556,720,649.13
Other receivables	1,009,302,953.24				1,009,302,953.24
Interest receivable	28,584,999.26				28,584,999.26
Dividends receivable	185,273.02				185,273.02
Long-term receivables	673,328,749.26	659,913,314.48	1,084,999,115.48		2,418,241,179.22
Entrusted wealth management products	400,000,000.00				400,000,000.00
Investments in other equity instruments				71,478,588.58	71,478,588.58
Financial liabilities	20,234,332,988.12	1,454,700,432.66	1,954,511,872.76	1,950,737,852.85	25,594,283,146.39
Short-term borrowings	7,612,539,587.86				7,612,539,587.86
Financial liabilities held-for-trading	202,774,080.82				202,774,080.82
Notes payable	1,850,172,981.45				1,850,172,981.45
Accounts payable	8,263,699,493.42				8,263,699,493.42
Other payables	253,236,818.96				253,236,818.96
Dividends payable	394,042.49				394,042.49
Interest payable	31,141,150.16				31,141,150.16
Employee benefits payable	62,783,802.68				62,783,802.68
Taxes payable	75,307,785.25				75,307,785.25
Long-term employee benefits payable	188,648,231.90	1,000,000.00	44,492,411.01	9,101,706.54	243,242,349.45
Long-term borrowings	1,639,179,468.93	1,417,865,046.71	1,836,093,226.24	1,917,158,481.62	6,810,296,223.50
Lease liabilities	54,455,544.20	35,835,385.95	73,926,235.51	24,477,664.69	188,694,830.35

2. Sensitivity analysis

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

(1) Exchange rate risk sensitivity analysis

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

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

Item	Change in exchange rate	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Strengthen by 5% against RMB	79,663,622.71	79,663,622.71	186,196,406.85	186,196,406.85
USD	Weaken by 5% against RMB	-79,663,622.71	-79,663,622.71	-186,196,406.85	-186,196,406.85

(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;

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

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

Item	Change in exchange rate	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%	-25,875,000.00	-25,875,000.00	-51,498,396.56	-51,498,396.56
Floating-rate borrowings	Decrease by 1%	25,875,000.00	25,875,000.00	51,498,396.56	51,498,396.56

X. DISCLOSURE OF FAIR VALUE

(1) Fair value of assets and liabilities measured at fair value at the end of the period

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 held-for-trading		47,015,330.33		47,015,330.33
1. Financial assets at fair value through profit or loss		47,015,330.33		47,015,330.33
(1) Investment in debt instruments				
(2) Investment in equity instruments				
(3) Derivative financial assets		47,015,330.33		47,015,330.33
2. Financial assets at fair value through profit or loss				
(1) Investment in debt instruments				
(2) Investment in equity instruments				
(II) Other debt investments				
(III) Investments in other equity instruments	7,142,153.22		64,336,435.36	71,478,588.58
Total assets measured at fair value on a recurring basis	7,142,153.22	47,015,330.33	64,336,435.36	118,493,918.91
(IV) Financial liabilities held-for-trading		202,774,080.82		202,774,080.82
Including: Trading bonds issued				
Derivative financial liabilities		202,774,080.82		202,774,080.82
Others				
(V) Financial liabilities at fair value through profit or loss				
Total liabilities measured at fair value on a recurring basis		202,774,080.82		202,774,080.82

(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 2019.

(3) Valuation techniques and qualitative and quantitative information for 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 fair value measurement on recurring and non-recurring basis

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

(1) Relationship with related parties

1. Controlling shareholder and ultimate controller

1) Controlling shareholder and ultimate controller

Unit: RMB00 million

Name of the Parent Company	Place of incorporation	Business nature	Registered capital	Shareholding percentage of the Parent Company in the Company (%)	Percentage of voting rights of the Parent Company in the Company (%)
CSSC	Shanghai	Shipbuilding	320.00	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 period	
CSSC	501,745,100.00	501,745,100.00	35.50	35.50	Parties acting in concert
CSSC International	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	

The ultimate controlling party of the enterprise is the State-owned Assets Supervision and Administration Commission of the State Council.

Other explanations: none

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

Type of relationship	Name of related party	Content of major transactions	Code of organisation
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Other enterprises under common control of controlling shareholder and actual controller

Guangzhou Shipyard Co., Ltd.	Purchase of goods, marine accessories and technical labour services	190440532
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and technical labour 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.	Products and equipments	134905382
Shanghai Merchant Vessel Design and Research Institute	Marine accessories and technical labour services	717810086
Anqing CSSC Diesel Engine Co., Ltd.	Products and equipments	151306277
CSSC Marine Power Co. Ltd.	Marine accessories, products and equipments	731778430
China Shipbuilding NDRI Engineering Co., Ltd.	Labour and technical services	425014619

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Type of relationship	Name of related party	Content of major transactions	Code of organisation
	Guangzhou Ship Industrial Co., Ltd.	Purchase of goods and receipt of services	190506722
	Marine Design and Research Institute of China	Purchase of goods and receipt of services	425007603
	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories, products and equipments	669401543
	CSSC Xijiang Shipbuilding Co., Ltd.	Purchase of goods	198600924
	CSSC Guijiang Shipbuilding Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	199125619
	China United Shipbuilding Company Limited	Purchase of goods and receipt of services	Overseas company
	China Ship Power Station Equipment Co., Ltd.	Products and equipments	756976070
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Purchase of goods and receipt of services	132943529
	China Shipbuilding Technology Institute	Purchase of goods and receipt of services	400000472
	CSSC Heavy Equipment Co., Ltd.	Technical labour services	799437720
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Technical labour services	755729481
	Anqing Marine Electric Co., Ltd.	Purchase of goods	771102718
	China Shipbuilding IT Co., Ltd.	Sales of goods and provision of services	802042333
	China Shipbuilding Trading Co., Ltd.	Purchase of goods and receipt of services	100001027
	China Shipbuilding International Trading Co., Ltd.	Purchase of goods and receipt of services	703424416
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	Sale 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 labour services	664021381
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Construction of fixed assets	759441020
	CSSC Marine Technology Co., Ltd.	Purchase of goods and receipt of services	767236625
	China Shipbuilding Trading Shanghai Co., Ltd.	Purchase of goods	132207644
	CSSC Systems Engineering Research Institute	Purchase of goods and receipt of services	400000675
	CSSC (Hong Kong) Shipping Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	#51105RE3
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Sale of goods and provision of services	677764045
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sale of goods and provision of services	59544985
	China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	51227838
	CSSC Electronic Technology Co., Ltd.	Purchase of goods and receipt of services	10201629X
	Zhenjiang China Marine-Xiandai Generating Co., Ltd.	Purchase of goods and receipt of services	782067313
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	765585565
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	Purchase of goods and receipt of services	631898873
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Purchase of goods and receipt of services	631140202
	Shanghai Shenbo Information System Engineering Co., Ltd.	Purchase of goods and receipt of services	630903554
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of goods and receipt of services	132923392

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Type of relationship	Name of related party	Content of major transactions	Code of organisation
	Shanghai Haixun Electrical Engineering Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	751896055
	Shanghai Dongxin Software Engineering Co., Ltd.	Purchase of goods and receipt of services	73745754X
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Purchase of goods and receipt of services	742362916
	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and receipt of services	705640569
	Jiangxi CSSC Navigation Instrument Co., Ltd.	Purchase of goods and receipt of services	159500541
	Wah-Chang International Marine Industry Company Limited	Sale of goods and provision of services	XG7250000
	Haiying Enterprises Group Co., Ltd.	Purchase of goods and receipt of services	134757367
	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and receipt of services	82890640
	Technician Training School of Guangzhou Shipyard	Rendering of services	574022487
	Workers' Hospital of Guangzhou Huangpu Shipyard	Rendering of services	738578028
	Kindergarten of Guangzhou Huangpu Shipyard	Rendering of services	738577981
	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and receipt of services	231250517
	Beijing Leiyin Electronic Technology Development Co., Ltd.	Purchase of goods and receipt of services	633641027
	Beijing Ship Industry Management College	Purchase of goods and receipt of services	40000123X
	Marinequip China Company Limited	Marine accessories	
	Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Receipt of services and provision of services	
	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	Marine accessories	67301984-9
	China Shipbuilding Trading Guangzhou Co., Ltd.	Purchase of goods	MA5AKBD9-0
	Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing	Marine accessories, products and equipments	78025744-7
	Guangzhou Shipyard Hospital	Purchase of goods, Receipt of services and provision of services	
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Marine accessories	MA1MQMDU-9
	Jiangxi Chaoyang Machinery Co., Ltd.	Purchase of goods	15826148-9
	Technician Training School of Guangzhou Huangpu Shipyard	Labour and technical services and supply of power	
	Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of goods	63114750-0
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Purchase of goods	598860469
	Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Labour services	07654776-6
	Technician Training School of Guangzhou Wenchong Shipyard	Receipt of services	
	CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories	13220328-0
	Jiujiang CSSC Trading Co., Ltd.	Labour services	09714598-5
	Shanghai Simifu Industrial Co., Ltd.	Marine accessories	13223150-5
	Guangzhou GSI Nursing Home Co., Ltd.	Sale of goods	MA59L7Q0-3
	Shanghai Shipbuilding Technology Research Institute	Sale of goods and provision of services	
	Guangzhou Wenchong Industrial Co., Ltd.	Purchase of goods, Receipt of services	MA5CK3CP-5
	Beijing CSSC Consulting Co., Ltd.	Purchase of goods, Receipt of services	66051384-8
	Shanghai Jiangnan Career Skills Training Center	Purchase of goods, Receipt of services	

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Type of relationship	Name of related party	Content of major transactions	Code of organisation
	Jiangnan Shipbuilding (Group) Co., Ltd.	Sale of goods and provision of services	132204312
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Purchase of goods and receipt of services	766907124
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	Technical labour services	67464709-7
	Wuxi Haiying Jiake Marine Technology Co., Ltd.	Purchase of goods, Receipt of services	76418316-9
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Marine accessories	56586979
	CSSC Marine Services Co., Ltd.	Purchase of goods, Receipt of services	MA1K3M2Q-9
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	Sale of goods and provision of services	85826372-5
	CSSC Jiujiang Boiler Co., Ltd.	Purchase of goods, Receipt of services	MA388PRP-8
	CSSC Financial Leasing (Shanghai) Co., Ltd.	Purchase of goods, Receipt of services	09000639-2
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	190550010
Joint ventures of controlling shareholder and ultimate controller			
	TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	660813517
	Guangzhou Zhongdan Ship Design Co., Ltd.	Sale of goods and provision of services	MA5ARBB96
	Maiyu Environmental Technology (Zhejiang) Co., Ltd.	Sale of goods and provision of services	MA2BAJXD-3
	Wartsila CME Zhenjiang Propeller Co., Ltd.	Purchase of goods, Receipt of services	76102072-7
	CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	Sale of goods and provision of services	MA2Y9Q5W-5
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	660813517
	Jiujiang CSSC Fire Automation Co., Ltd.	Purchase of goods and receipt of services	91090522
	Guangzhou Shipyard Shipping Co., Ltd.	assets leasing	32097191-4

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(2) Consolidated related party transactions

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

1) Purchase of goods/receipt of services

Related party	Content of related party transactions	Current period	Corresponding period of last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Materials purchased	1,965,549,635.88	1,092,079,282.77
CSSC Systems Engineering Research Institute	Marine accessories and marine equipment	62,029,230.17	119,997,205.98
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Marine accessories	154,922,635.09	81,239,316.24
China United Shipbuilding Company Limited	Marine accessories	261,449,858.41	68,252,025.18
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	40,170,941.38	95,223,589.74
CSSC Marine Power Co. Ltd.	Marine accessories	41,733,881.24	81,925,805.13
China Shipbuilding NDRI Engineering Co., Ltd.	Technical labour services	59,423,083.53	80,128,312.89
Shanghai Haixun Electrical Engineering Co., Ltd.	Marine accessories	3,300,000.00	36,854,774.36
Marinequip China Company Limited	Marine accessories	104,422,331.85	17,695,528.51
Haiying Enterprises Group Co., Ltd.	Marine accessories	17,198,995.65	17,120,000.00
Marine Design and Research Institute of China	Technical labour services	29,765,204.05	1,444,339.59
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labour services	12,257,479.93	16,020,615.27
Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Materials purchased		5,673,259.83
Shanghai CSSC Lingang Ship Equipment Co., Ltd.	Materials purchased	10,585,224.54	13,719,725.00
Shanghai Merchant Vessel Design and Research Institute	Technical labour services	8,743,200.00	6,641,250.00
China Shipbuilding IT Co., Ltd.	Technical labour services	311,416.94	5,919,973.62
Zhenjiang China Marine-Xiandai Generating Co., Ltd.	Marine accessories and marine equipment, etc	4,482,356.00	8,035,213.67
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	346,418.11	3,830,607.21
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Construction		7,090.91
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	2,858,766.45	5,829,474.90
CSSC Marine Technology Co., Ltd.	Marine accessories		5,963,374.36
Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	Marine accessories		3,746,854.70
Guangzhou Ship Industrial Co., Ltd.	Materials purchased	5,285,700.46	2,565,177.29
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Materials purchased	3,106,666.85	1,658,225.56
CSSC Nanjing Luzhou Machine Co., Ltd.	Marine accessories and marine equipment	6,168,997.64	13,179,536.77
Beijing Lei Yin Electronic Technology Development Co., Ltd.	Marine accessories		1,786,800.00
Guangzhou Shipyard Hospital	Purchase of goods	601,656.02	1,365,951.89
CSSC Xijiang Shipbuilding Co., Ltd.	Receipt of services		2,640,170.94
China Shipbuilding Technology Institute	Services, construction	12,996,013.85	
	Technical labour services		313,207.55
Workers' Hospital of Guangzhou Huangpu Shipyard	Technical labour services	12,593.51	465,954.50
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	4,762,806.90	51,111.11

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

Related party	Content of related party transactions	Corresponding period of last year	
		Current period	
Jiangxi Chaoyang Machinery Co., Ltd.	Materials purchased	3,489,589.78	1,501,744.68
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Marine accessories	2,114,994.70	1,069,191.46
Kindergarten of Guangzhou Huangpu Shipyard	Technical labour services		420,000.00
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	1,179,459.05	516,725.64
Technician Training School of Guangzhou Huangpu Shipyard	Technical labour services		455,000.00
China Shipbuilding Industry Complete Logistics Co., Ltd.	Marine accessories and marine equipment, etc.	41,880.17	1,017,094.02
China Ship Power Station Equipment Co., Ltd.	Marine accessories and marine equipment	409,000.00	876,000.00
CSSC (Hong Kong) Shipping Company Limited	Technical labour services		606,165.63
China Shipbuilding International Trading Co., Ltd.	Technical labour services	718,960.20	492,617.94
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Materials purchased		113,772.83
CSSC Electronic Technology Co., Ltd.	Materials purchased	220,000.00	410,000.00
Shanghai Hudong Shipyard Valve Co., Ltd.	Materials purchased		531,374.36
CSSC Southern China Ship Machinery Co., Ltd.	Materials	1,600,000.00	9,852,269.51
Shanghai TTS Ships Equipment Co., Ltd.	Materials purchased		45,063.25
CSSC Guijiang Shipbuilding Co., Ltd.	Marine accessories and marine equipment		11,244.87
Jiujiang CSSC Fire Automation Co., Ltd.	Marine accessories	3,270,217.24	43,517.09
Jiujiang CSSC Trading Co., Ltd.	Services		4,068,307.98
TTS Hua Hai Ships Equipment Co., Ltd.	Materials purchased	9,879.31	489,179.47
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Marine accessories		25,184.62
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Services	2,040,480.84	12,805,873.92
China Shipbuilding Trading Co., Ltd.	Electromechanical equipment, metal materials, marine accessories and marine equipment, etc.	3,050,812.41	11,670,915.57
Guangzhou Shipyard HR Service Co., Ltd.	Services	12,699,106.26	10,526,960.14
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Materials purchased	1,868,220.12	3,035,935.95
CSSC Science & Technology Co., Ltd.	Equipment, fixed assets		7,247,863.25
CSSC Heavy Equipment Co., Ltd.	Technical labour services		37,506.78
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Materials	370,430.97	443,600.83
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Materials purchased	1,318,797.41	1,992,350.43
Beijing Ship Industry Management College	Services	22,264.15	3,018.87
Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Services	301,300.97	–
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Services	3,773.58	–
Technician Training School of Guangzhou Wenchong Shipyard	Services	42,860.37	–
Haifeng Navigation Technology Co., Ltd.	Materials purchased	1,903,349.06	–
Eastern Shanghai Heavy Machinery Co., Ltd., Shanghai Accessories Branch	Marine accessories and marine equipment	9,888.00	–
TTS Hua Hai International Trading Co., Ltd.	Materials purchased	4,684,726.40	–

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

Related party	Content of related party transactions	Corresponding period of last year	
		Current period	
Shanghai Jiangnan Career Skills Training Center	Services	21,747.58	–
Shanghai Simifu Industrial Co., Ltd.	Materials purchased	94,827.59	–
Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Marine accessories and marine equipment	25,000.00	–
CSSC Chengxi Shipbuilding Co., Ltd.	Services	1,637,931.03	–
CSSC Hua Hai Ships Equipment Co., Ltd.	Materials purchased	16,982.76	–
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Marine accessories and marine equipment	3,690,478.40	200,000.00
China Shipbuilding Trading Guangzhou Co., Ltd.	Materials purchased	5,678,443.43	140,482.51
Total		2,865,020,496.23	1,862,022,717.07

Pricing principles:

- Purchase prices of electronic appliance, metallic materials and marine complement are based on market price.
- 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.
- Purchase prices of labour services for shipbuilding and maintenance during the peak production period are based on the cost plus management fee of 10%.
- Purchase prices of cabin-cleaning, ship design and relevant technical services are based on market price.
- Purchase prices of medical care, food and beverage, infant care, training for labour, management fee for residence, etc., are based on the expense incurred in 2008 and adjusted by the annual "price index" (Guangzhou Municipal Statistics Bureau's announcement of the statistic of the general price index of the living expense of Guangzhou Municipal of the previous year) and further adjusted by the number of employees of the Group, number of household and actual staff welfare, but subject to maximum of adjustment on the annual "price index".

2) Sale of goods/Rendering of services

Related party	Content of related party transactions	Corresponding period of last year	
		Current period	
CSSC (Hong Kong) Shipping Company Limited	Shipbuilding	364,671,822.32	295,382,613.20
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	42,534,427.95	41,385,309.09
CSSC Science & Technology Co., Ltd.	Labour and technical services		6,713,793.10
Marine Design and Research Institute of China	Labour and technical services	14,168.47	14,603.77
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sale of materials, Rendering of services	114,435.81	2,498,717.65
CSSC Heavy Equipment Co., Ltd.	Labour and technical services	155,631.61	610,275.59
CSSC Southern China Ship Machinery Co., Ltd.	Labour and technical services	46,422.32	80,962.27
Guangzhou Shipyard Co., Ltd.	Supply of power, labour and technical services	347,600.37	1,557,354.52
China Shipbuilding Technology Institute	Labour and technical services	296,376.69	290,982.07
Shanghai Merchant Vessel Design and Research Institute	Labour and technical services	150,000.00	500,000.00
CSSC Systems Engineering Research Institute	Labour and technical services	1,642,322.71	339,622.64

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Related party	Content of related party transactions	Current period	Corresponding period of last year
Technician Training School of Guangzhou Huangpu Shipyard	Supply of power	122,535.28	336,900.03
China Shipbuilding IT Co., Ltd.	Sale of materials	374,050.76	232,075.47
Guangzhou Ship Industrial Co., Ltd.	Sale of materials	115,819.81	356,065.46
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Labour and technical services	1,732,798.66	323,143.54
Workers' Hospital of Guangzhou Huangpu Shipyard	Supply of power	86,091.54	68,223.04
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Supply of power	117,873.11	109,165.02
CSSC Guijiang Shipbuilding Co., Ltd.	Sale of materials, labour and technical services	119,441.44	14,256.19
Kindergarten of Guangzhou Huangpu Shipyard	Supply of power	39,002.79	46,354.35
Technician Training School of Guangzhou Shipyard	Supply of power	7,764.13	48,260.91
CSSC Xijiang Shipbuilding Co., Ltd.	Supply of power		18,867.92
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Sale of materials	-469.00	17,423.60
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	Labour services	7,950.00	7,853.77
Guangzhou GSI Nursing Home Co., Ltd.	Sale of materials	619.47	256.41
Guangzhou Shipyard Hospital	Labour services	10,188.68	5,094.34
Jiangnan Shipbuilding (Group) Co., Ltd.	Labour and technical services		1,415.09
China Shipbuilding Trading Shanghai Co., Ltd.	Sale of materials, labour and technical services		534,468.86
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Sale of materials	18,339.62	508,628.81
Haiying Enterprises Group Co., Ltd.	Labour and technical services	33,962.26	
Shanghai CSSC Lingang Ship Equipment Co., Ltd.	Labour and technical services	38,792.10	
CSSC Marine Technology Co., Ltd.	Leasing service	60,000.00	
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Supply of power	11,396.05	
China State Shipbuilding Corporation Limited	Labour services	2,433.96	
Total		412,871,798.91	352,002,686.71

2 Receipt of financial services

1) Deposit

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	3,357,492,937.22	3,887,008,008.16	33,279,463.84	19,196,808.85

Pricing principle: Deposit interest is priced based on the basic interest rate set by the People's Bank of China, and better than the deposit interest rates provided by CSSC to other third parties or those provided to the Company by commercial banks.

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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	2,556,141,000.00	3,726,692,000.00	101,236,930.78	92,278,343.80

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

Related party	Borrowing/ Lending	Amount	Date of		Interest rate	Remarks
			commencement	Date of expiry		
CSSC	Borrowing	300,000,000.00	2012-7-18	2019-7-15	5.00%	GSI
CSSC	Borrowing	400,000,000.00	2016-10-24	2021-10-14	3.25%	GSI
CSSC	Borrowing	300,000,000.00	2019-6-6	2021-6-5	3.90%	GSI
CSSC	Borrowing	500,000,000.00	2012-6-20	2022-6-15	5.25%	Wenchong Dockyard
CSSC	Borrowing	650,000,000.00	2012-9-19	2022-9-17	5.42%	Wenchong Dockyard
CSSC	Borrowing	150,000,000.00	2016-10-21	2021-10-14	3.25%	Wenchong Dockyard
Total		2,300,000,000.00				

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) contract	
	Ending balance	Beginning balance	Current period (RMB)	Last period (RMB)	Current period (RMB)	Last period (RMB)
CSSC Finance Company Limited	US\$306 million EUR558 million	US\$250 million	-10,256,233.58	-15,817,041.52	-978,000.00	

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	Last period
CSSC Finance Company Limited	400,000,000.00	400,000,000.00	13,226,081.88	25,683,820.27

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

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3. Related leases

1) As lessor

None

2) As lessee

Name of lessor	Name of lessee	Type of leased assets	Rental fees recognised for the period	Rental fees recognised for the last period
Guangzhou Wenchong Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	8,644,946.72	
Guangzhou Ship Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	602,299.80	9,782,700.14
Guangzhou Ship Industrial Co., Ltd.	Huangpu Wenchong	Land, buildings and structures	2,648,443.62	3,261,509.50
Guangzhou Shipyard Co., Ltd.	GSI	Buildings and structures	286,175.85	502,546.89
Guangzhou Shipyard Co., Ltd.	United Steel	Land, buildings and structures		354857.14
Guangzhou Shipyard Co., Ltd.	GSI Elevator	Land, buildings and structures	80,166.73	74,745.71
Total			12,262,032.72	13,976,359.38

4. Related guarantees

1) Guarantees provided by related parties for the Group

None

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

None

3) Guarantees provided within the scope of consolidation of the Group

Name of guarantor	Name of guarantee	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	400,000,000.00	2019/6/25	2019/12/26	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	300,000,000.00	2018/11/29	2019/11/28	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchuan Heavy Industrial Co., Ltd.	100,000,000.00	2019/4/9	2019/12/26	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchuan Heavy Industrial Co., Ltd.	20,000,000.00	2019/6/21	2020/6/20	No

5. Compensation for assets relocation of related parties

On 26 April 2019, Wenchong Shipyard, the subsidiary of Huangpu Wenchong, and Guangzhou Wenchong Industrial Co., Ltd. (hereinafter referred to as "Wenchong Industrial") signed the First Phase Relocation Agreement of Wenchong Shipyard (hereinafter referred to as "Relocation Agreement"), which agreed that Wenchong Shipyard will stop the entire production and operation activities on the first phase of the relocation site before 26 April 2019, and the relevant assets will be handed over. Wenchong Industrial will compensate accordingly according to the compensation standard for the relocation and resettlement losses of the first phase of relocation site, and on 26 April 2019 Wenchong Shipyard completed the relocation of the first phase of site. On 29 April 2019, Wenchong Shipyard received compensation of RMB714 million from Wenchong Industrial, recognizing other receivables of RMB686 million and net income of relocation of RMB1.248 billion.

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6. Acquisition of equity interest of related parties

None

7. Other related party transactions

Type of related party transactions	Name of related party	Current period	Last period
Procurement agency fees	China United Shipbuilding Company Limited	3,881,490.67	1,338,791.10
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited	5,705,507.72	7,206,811.64
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	8,193,367.51	11,009,556.93
Sales agency fees	China Shipbuilding Trading Co., Ltd.	2,877,251.55	4,645,977.66
Letters of guarantee	China Shipbuilding Trading Co., Ltd.	322,697.36	1,924,645.33
Procurement agency fees	China Shipbuilding Trading Co., Ltd.	0.00	79,365.50
Procurement agency fees	CSSC (Hong Kong) Shipping Company Limited	0.00	8,958.11
Total		20,980,314.81	26,214,106.27

Note: 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.

8. Related party transactions and connected transactions

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

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

1. Purchase of goods and Receipt of services

Related party	Content of related party transactions	Current period	Corresponding period of last year
Longxue Pipe	Processing services	171,843.95	970,351.84
Hongfan Technology	Purchase of goods and receipt of services	64,435.63	56,603.77
Zhongshan GSI	Purchase of goods and receipt of services		5,461,538.46
GSI	Purchase of goods and receipt of services	836,789.92	46,856.00
Hongfan Hotel	Purchase of goods and receipt of services	25,988.38	43,608.57
Large-scale Machinery	Purchase of goods and receipt of services	1,493,187.28	13,675.21
Guangli	Purchase of goods and receipt of services	2,615,545.46	
Zhongshan Ship	Purchase of goods and receipt of services	2,285,848.40	
Total		7,493,639.02	6,592,633.85

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 for pricing.

2. Sale of goods and rendering of services

Related party	Content of related party transactions	Current period	Corresponding period of last year
GSI	Sale of goods	24,444,205.61	8,594,256.69
Zhongshan GSI	Sale of goods and assets lease	9,659,052.00	5,733,887.29
Large-scale Machinery	Sale of goods	10,885,893.00	
GSI Elevator	Sale of goods	1,545,689.38	
Total		46,534,839.99	14,328,143.98

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(4) Balances with related parties

1. Consolidated receivables and payables of related parties

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					
	CSSC Southern China Ship Machinery Co., Ltd.			170,000.00	
	CSSC Heavy Equipment Co., Ltd.	329,000.00			
	Sub-total of notes receivable	329,000.00		170,000.00	
Interest receivable					
	CSSC Finance Company Limited	13,663,894.37		7,465,375.59	
	Sub-total of interest receivable	13,663,894.37		7,465,375.59	
Accounts receivable					
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	10,860,708.04	54,303.54	20,128,621.74	100,643.11
	CSSC Science & Technology Co., Ltd.	11,763,200.00	58,816.00	15,657,200.00	78,286.00
	CSSC Heavy Equipment Co., Ltd.	1,815,018.84	9,075.09	3,494,957.23	17,474.79
	Guangzhou Zhongdan Ship Design Co., Ltd.		-	3,308,142.40	16,540.71
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	1,476,910.00	7,384.55	1,526,910.00	7,634.55
	China Shipbuilding Technology Institute	1,299,000.00	6,495.00	1,124,000.00	5,620.00
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	2,307,226.96	11,536.13	919,921.92	4,599.61
	Guangzhou Shipyard Co., Ltd.	442,773.15	2,213.87	882,172.02	4,410.86
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	783,106.00	3,915.53	786,011.00	3,930.06
	China Shipbuilding IT Co., Ltd.	508,000.00	2,540.00	319,534.00	1,597.67
	CSSC Systems Engineering Research Institute	248,000.00	1,240.00	248,000.00	1,240.00
	CSSC Southern China Ship Machinery Co., Ltd.		-	80,616.00	403.08
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	116,743.00	583.72	74,742.00	373.71
	China Shipbuilding NDRI Engineering Co., Ltd.	14,650.00	73.25	14,650.00	73.25
	Guangzhou Ship Industrial Co., Ltd.	50,667.00	253.34	13,627.00	68.14
	Nanfang Environment Co., Ltd.		-	8,262.00	41.31
	Wah-Chang International Marine Industry Company Limited	6,874.70	34.37	6,863.20	34.32
	CSSC Guijiang Shipbuilding Co., Ltd.	52,179.37	260.90	4,121.15	20.61
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	3,057.00	15.29	1,394.00	6.97
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.		-	469.00	2.35
	Guangzhou Shipyard Hospital	5,400.00	27.00		
	Maiyu Environmental Technology (Zhejiang) Co., Ltd.	11,387,232.25	56,936.16		
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	13,090.05	65.45		
	China Shipbuilding Trading Guangzhou Co., Ltd.	5,130.00	25.65		
	Marine Design and Research Institute of China	195,700.00	978.50		
	China Shipbuilding Trading Co., Ltd.	9,065,000.00	45,325.00		
	CSSC (Hong Kong) Shipping Company Limited	125,000.00	625.00		
	Sub-total of accounts receivable	52,544,666.36	262,723.34	48,600,214.66	243,001.10

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From 1 January 2019 to 30 June 2019

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

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments					
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	1,438,287,045.03		864,776,667.75	
	China Shipbuilding Trading Shanghai Co., Ltd.	239,894,266.37		239,894,266.37	
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	7,592,000.00		44,180,000.00	
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	41,419,963.66		40,539,963.66	
	Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute			32,517,974.87	
	Eastern Shanghai Heavy Machinery Co., Ltd.	23,520,000.00		32,431,926.16	
	Marinequip China Company Limited	92,322,689.95		30,654,917.94	
	Shanghai Haixun Electrical Engineering Co., Ltd.	8,951,600.00		8,931,600.00	
	China Shipbuilding Trading Co., Ltd.	2,083.86		8,103,997.84	
	China Shipbuilding NDRI Engineering Co., Ltd.	4,453,674.18		7,953,674.18	
	CSSC Marine Power Co. Ltd.	1,923,000.00		6,971,558.48	
	TTS Hua Hai Ships Equipment Co., Ltd.	2,294,513.20		5,240,000.00	
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	6,292,900.00		3,128,608.00	
	Beijing CSSC Consulting Co., Ltd.	1,497,000.00		1,497,000.00	
	CSSC (Hong Kong) Shipping Company Limited	317,217.69		308,175.65	
	Haifeng Navigation Technology Co., Ltd.			226,050.00	
	Jiangxi CSSC Navigation Instrument Co., Ltd.			15,860.00	
	CSSC Nanjing Luzhou Machine Co., Ltd.			6,350.00	
	China United Shipbuilding Company Limited	36,874,050.75			
	Wah-Chang International Marine Industry Company Limited	701,478.39			
	Zhenjiang China Marine-Xiandai Generating Co., Ltd.	561,100.00			
	Anqing CSSC Diesel Engine Co., Ltd.	6,768,000.00			
	Beijing Ship Industry Management College	44,365.00			
	TTS Hua Hai International Trading Co., Ltd.	3,883,079.40			
	Shanghai Jiangnan Career Skills Training Center	1,950.00			
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	3,785,272.00			
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	279,000.00			
	CSSC Jiujiang Boiler Co., Ltd.	876,724.00			
	Sub-total of prepayments	1,922,542,973.48		1,327,378,590.90	

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From 1 January 2019 to 30 June 2019

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

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables					
	China Shipbuilding Trading Co., Ltd.	1,139,593.49	5,697.97	1,139,593.49	5,697.97
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	243,938.06	1,219.69	759,422.39	3,797.11
	Guangzhou Shipyard Hospital	580,328.06	2,901.64	589,328.06	2,946.64
	China United Shipbuilding Company Limited	16,678,923.24	83,394.62	431,018.40	2,155.09
	Nanfeng Environment Co., Ltd.	30,750.00	153.75	347,021.41	1,735.11
	Guangzhou Ship Industrial Co., Ltd.	256,308.22	1,281.54	219,462.00	1,097.31
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	188,746.75	943.73	188,746.75	943.73
	China State Shipbuilding Corporation Limited	69,907,298.04	349,536.49	84,407.58	422.04
	Beijing Ship Industry Management College	344,060.00	1,720.30	67,030.00	335.15
	Guangzhou Shipyard Co., Ltd.	36,799.66	184.00	21,912.00	109.56
	Guangzhou Zhongdan Ship Design Co., Ltd.		-	8,053.10	40.27
	Guangzhou Shipyard HR Service Co., Ltd.	7,701.00	38.51	7,701.00	38.51
	CSSC (Hong Kong) Shipping Company Limited	330,616.13	1,653.08	2,575.20	12.88
	CSSC Gujiang Shipbuilding Co., Ltd.	353.75	1.77		
	Shanghai Jiangnan Career Skills Training Center	10,000.00	50.00		
	CSSC Finance Company Limited	76,343.27	381.72		
	China Shipbuilding Industry Complete Logistics Co., Ltd.	76,343.27	381.72		
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	307,551.41	1,537.76		
	CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	54,320.94	271.60		
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	77,220.84	386.10		
	CSSC Financial Leasing (Shanghai) Co., Ltd.	154,219.02	771.10		
	Guangzhou Wenchong Industrial Co., Ltd.	686,000,000.00	3,430,000.00		
	Sub-total of other receivables	776,501,415.15	3,882,507.09	3,866,271.38	19,331.37
Long-term receivables					
	Guangzhou Shipyard Shipping Co., Ltd.	1,077,351,719.89	5,670,000.00	1,109,269,916.57	5,671,349.59
	CSSC (Hong Kong) Shipping Company Limited			32,017,580.00	
	Sub-total of long-term receivables	1,077,351,719.89	5,670,000.00	1,141,287,496.57	5,671,349.59
	Total	3,842,933,669.25	9,815,230.43	2,528,767,949.10	5,933,682.06

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From 1 January 2019 to 30 June 2019

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

2) Payables

Name of item	Related party	Book balance as at the end of the period	Book balance as at the beginning of the period
Notes payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	1,078,403,567.81	880,362,642.42
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	81,759,376.36	161,123,026.22
	Eastern Shanghai Heavy Machinery Co., Ltd.	101,683,077.66	85,893,337.00
	CSSC Marine Power Co. Ltd.	16,028,913.00	26,685,500.00
	Anqing CSSC Diesel Engine Co., Ltd.	14,147,543.00	9,529,543.00
	Shanghai Haixun Electrical Engineering Co., Ltd.		18,782,040.00
	CSSC Systems Engineering Research Institute	232,450,200.00	346,105,750.00
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.		2,570,158.35
	Marine Design and Research Institute of China		1,782,000.00
	CSSC Nanjing Luzhou Machine Co., Ltd.	10,946,641.60	12,189,797.55
	Zhenjiang China Marine-Xiandai Generating Co., Ltd.	3,236,000.00	6,738,520.00
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.		564,254.02
	CSSC Marine Technology Co., Ltd.		4,005,200.00
	CSSC Hua Hai Ships Equipment Co., Ltd.		1,406,000.00
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	515,520.00	1,346,100.00
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.		2,250,000.00
	Guangzhou Ship Industrial Co., Ltd.	656,183.08	829,497.49
	CSSC Southern China Ship Machinery Co., Ltd.		5,831,000.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	2,304,511.20	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	767,152.64	
	China Shipbuilding NDRI Engineering Co., Ltd.	495,000.00	
	CSSC Jiujiang Boiler Co., Ltd.	876,724.00	
Sub-total of notes payable		1,544,270,410.35	1,567,994,366.05
Interest payable			
	CSSC Finance Company Limited	4,494,477.36	5,718,091.65
Sub-total of interest payable		4,494,477.36	5,718,091.65
Accounts payable			
	Anqing Marine Electric Co., Ltd.	18,000.00	18,000.00
	Anqing CSSC Diesel Engine Co., Ltd.	8,676,575.76	6,020,330.76
	Beijing Leiyin Electronic Technology Development Co., Ltd.	1,431,200.00	1,936,800.00
	China Shipbuilding IT Co., Ltd.	4,345,091.00	4,092,578.30
	Marinequip China Company Limited	2,619,544.22	
	Guangzhou Bohang Environment Monitoring Services Co., Ltd.	30,400.00	-
	Guangzhou Ship Industrial Co., Ltd.	99,048,177.57	95,964,139.12
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	4,000.00	
	Guangzhou Shipyard HR Service Co., Ltd.	871,786.79	863,728.43
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	Guangzhou Shipyard Hospital		26,400.00
	Guangzhou Shipyard Co., Ltd.	3,795,965.35	6,181,535.43
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,475,785.09	18,475,785.09
	Guangzhou Wenchong Industrial Co., Ltd.		2,845,508.99
	Haifeng Navigation Technology Co., Ltd.	1,981,834.91	-
	Haiying Enterprises Group Co., Ltd.	6,212,500.00	22,995,000.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	44,102,658.84	8,962,418.80
	China United Shipbuilding Company Limited	3,414,568.54	
	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	4,860.00	4,860.00
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.		131,794.98
	Jiangxi Chaoyang Machinery Co., Ltd.	1,460,730.28	1,443,364.67

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

Name of item	Related party	Book balance as at the end of the period	Book balance as at the beginning of the period
Accounts payable			
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	7,151.60	339,315.70
	Jiangxi CSSC Valve Co., Ltd.	71,550.00	
	Jiangxi CSSC Navigation Instrument Co., Ltd.	1,000.00	
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	3,378,888.44	909,731.72
	Jiujiang Precision Testing Technology Research Institute	82,613.70	82,613.70
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	3,104,079.12	5,826,225.92
	Jiujiang CSSC Fire Automation Co., Ltd.	3,670,443.00	
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	908,373.43	642,553.09
	CSSC Nanjing Luzhou Machine Co., Ltd.	7,604,247.06	12,693,746.48
	Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing	4,031,726.65	
	Shanghai Shipbuilding Technology Research Institute	869,482.76	435,000.00
	Shanghai Merchant Vessel Design and Research Institute		4,697,500.00
	TTS Hua Hai Ships Equipment Co., Ltd.	7,093,166.00	4,364,041.82
	Shanghai Dongxin Software Engineering Co., Ltd.	125,200.00	89,230.77
	Shanghai Haixun Electrical Engineering Co., Ltd.	35,599,015.43	7,585,532.51
	Shanghai Hudong Shipyard Valve Co., Ltd.	2,452,954.50	2,299,813.77
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	8,215,569.31	3,769,932.79
	Shanghai Shenbo Information System Engineering Co., Ltd.	601,060.00	30,740.00
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	692,995.00	370,000.00
	Shanghai Simifu Industrial Co., Ltd.	110,000.00	
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	2,226,694.79	2,226,694.79
	Shanghai CSSC Materials Engineering Co., Ltd.	38,970.00	-
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	3,505,908.32	3,520,231.03
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	1,582,176.16	696,782.07
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	3,402,926.86	540,000.00
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	67,965,880.35	
	Wuxi Haiying Jiake Marine Technology Co., Ltd.	239,900.00	
	Wartsila CME Zhenjiang Propeller Co., Ltd.	8,461.54	
	Zhenjiang China Marine-Xiandai Generating Co., Ltd.	3,142,572.46	5,888,673.30
	CSSC Finance Company Limited	83,000.00	83,000.00
	China Shipbuilding NDRI Engineering Co., Ltd.	88,963,459.50	121,227,857.21
	CSSC Electronic Technology Co., Ltd.	1,472,219.28	1,292,219.28
	CSSC Marine Power Co. Ltd.	50,814,386.91	12,112,970.00
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	950,796,640.07	439,898,643.35
	China Shipbuilding Industry Complete Logistics Co., Ltd.	1,946,413.26	1,843,446.01
	China Shipbuilding International Trading Co., Ltd.	2,686,175.00	2,686,175.00
	CSSC Marine Services Co., Ltd.	1,050,799.20	1,050,799.20
	CSSC Marine Technology Co., Ltd.	1,187,699.99	1,104,999.99
	CSSC Hua Hai Ships Equipment Co., Ltd.	358,700.00	339,000.00
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	188,034.19	
	CSSC Southern China Ship Machinery Co., Ltd.	8,903,712.40	8,273,712.40
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	515,994.36	290,865.89
	China Ship Survey and Research Institute, Pudong Branch	8,325.50	
	CSSC Science & Technology Co., Ltd.	7,413,257.04	2,480,000.00

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Name of item	Related party	Book balance as at the end of the period	Book balance as at the beginning of the period
Accounts payable			
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	2,252,186.95	1,936,445.15
	China Shipbuilding Trading Guangzhou Co., Ltd.	2,742,085.53	3,102,367.65
	CSSC (Hong Kong) Shipping Company Limited	9,900,090.48	9,883,529.60
	China Ship Power Station Equipment Co., Ltd.	2,751,600.00	2,234,100.00
	China State Shipbuilding Corporation Limited	9,141.20	9,141.20
	China Shipbuilding Trading Co., Ltd.	96,865.43	3,385,598.17
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	3,973,377.44	–
	CSSC Systems Engineering Research Institute	566,471,767.70	613,823,660.69
	Marine Design and Research Institute of China	13,898,664.10	35,173,367.13
	Sub-total of accounts payable	2,075,721,553.74	1,489,212,775.33
Contract liabilities			
	China Shipbuilding Trading Co., Ltd.	98,216,251.65	
	Marine Design and Research Institute of China	2,000,000.00	
	CSSC Heavy Equipment Co., Ltd.	448,052.28	
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	1,112,068.96	
	Anqing CSSC Diesel Engine Co., Ltd.	41,681.42	
	Guangzhou Shipyard Co., Ltd.	328,856.14	79,000.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.		300,000.00
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	10,000.00	10,000.00
	Wah-Chang International Marine Industry Company Limited	3,656,879.40	3,656,879.40
	Technician Training School of Guangzhou Shipyard		794.00
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	4,081,334.14	135,165.52
	China Shipbuilding Trading Shanghai Co., Ltd.	83,525,116.97	83,525,116.97
	Sub-total of contract liabilities	193,420,240.96	87,706,955.89
Other payables			
	China Shipbuilding NDRI Engineering Co., Ltd.	6,937,179.27	7,125,734.61
	Shanghai Merchant Vessel Design and Research Institute	1,600,000.00	
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	215,834.52	203,400.00
	CSSC Financial Leasing (Shanghai) Co., Ltd.	592,202.69	592,202.69
	China United Shipbuilding Company Limited	473,319.81	125,245,283.56
	CSSC Systems Engineering Research Institute		–
	Shanghai Shenbo Information System Engineering Co., Ltd.		–
	China Shipbuilding Trading Co., Ltd.		133,766.03
	Guangzhou Shipyard HR Service Co., Ltd.	166,619.00	166,619.00
	CSSC Chengxi Shipbuilding Co., Ltd.	30,260.02	
	China State Shipbuilding Corporation Limited	5,277,407.00	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	302,564.09	4,398,109.53
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.		–
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	300,000.00	–
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	188,034.19	–
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.		135,656.22
	CSSC Southern China Ship Machinery Co., Ltd.		–
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.		–

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

Name of item	Related party	Book balance as at the end of the period	Book balance as at the beginning of the period
Other payables			
	Workers' Hospital of Guangzhou Huangpu Shipyard		–
	Guangzhou Shipyard Co., Ltd.	1,154,952.66	1,455,814.18
	China Shipbuilding Trading Guangzhou Co., Ltd.		180,636.34
	China Shipbuilding IT Co., Ltd.	692,518.00	204,000.00
	China Shipbuilding International Trading Co., Ltd.	2,686,175.00	40,463.00
	Guangzhou Ship Industrial Co., Ltd.		54,085.00
	Jiangxi Chaoyang Machinery Co., Ltd.	200,000.00	200,000.00
	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	4,860.00	
	Shanghai Dongxin Software Engineering Co., Ltd.	125,200.00	
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	30,816.00	
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	38,880.00	
	Wartsila CME Zhenjiang Propeller Co., Ltd.	8,461.54	
Sub-total of other payables		19,425,283.79	141,735,770.16
Total		3,837,331,966.20	3,292,367,959.08

2. Receivables and payables 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
Accounts receivable					
	Zhongshan GSI Marine Engineering Company Limited	2,166,140.31		3,854,054.39	
	Guangzhou Shipyard International Company Limited	5,438,474.38		7,131,707.73	
	Guangzhou United Steel Structures Limited	374,360.00		534,800.00	
	Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	12,301,059.09			
	Guangdong GSI Elevator Co., Ltd.	185,142.27			
Sub-total of accounts receivable		20,465,176.05		11,520,562.12	
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	7,526,909.51		6,972,728.12	
	Guangdong GSI Elevator Co., Ltd.	300.00			
	CSSC Huangpu Wenchong Shipbuilding Company Limited	982,013.89		1,202,437.49	
Sub-total of other receivables		8,509,223.40		8,175,165.61	
Long-term receivables due within one year					
	CSSC Huangpu Wenchong Shipbuilding Company Limited	150,000,000.00			
	Guangzhou Shipyard International Company Limited	350,000,000.00			
Sub-total of long-term receivables due within one year		500,000,000.00			

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Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other current assets					
	Guangzhou Shipyard International Company Limited	200,000,000.00		50,000,000.00	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	650,000,000.00		700,000,000.00	
	Sub-total of other current assets	850,000,000.00		750,000,000.00	
Other non-current assets					
	Guangzhou Shipyard International Company Limited	185,000,000.00		285,000,000.00	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	235,000,000.00		335,000,000.00	
	Sub-total of other non-current assets	420,000,000.00		620,000,000.00	
	Total	1,799,674,399.45		1,390,395,727.73	

2) Payables

Name of item	Related party	Ending balance	Beginning balance
Accounts payable			
	Guangzhou United Steel Structures Limited	3,273,821.82	8,354,892.47
	Zhongshan GSI Marine Engineering Company Limited	7,191,707.56	9,734,638.03
	Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	6,144,185.46	4,501,679.46
	Guangzhou Shipyard International Company Limited	3,161,227.46	2,510,541.22
	Guangzhou Longxue Pipe Co., Ltd.		280,843.80
	Sub-total of accounts payable	19,770,942.30	25,382,594.98
Other payables			
	Guangzhou Shipyard International Company Limited	36,601,888.91	32,364,814.95
	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	6,878,167.65	6,955,523.09
	Zhongshan GSI Marine Engineering Company Limited	92,300.17	174,948.82
	Sub-total of other payables	43,572,356.73	39,495,286.86
	Total	63,343,299.03	64,877,881.84

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(5) Remuneration of Directors, Supervisors and key management

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

Item	Fees of Directors and Supervisors	Salaries, bonus and allowance	Retirement benefit plan contributions	Total
Current period				
Executive Directors				
Han Guangde				
Chen Zhongqian		237,105.17	16,059.12	253,164.29
Chen Liping		289,282.62	16,059.12	305,341.74
Sheng Jigang		189,725.22	16,059.12	205,784.34
Xiang Huiming		211,409.22	16,059.12	227,468.34
Chen Ji		237,105.17	16,059.12	253,164.29
Non-executive Directors				
Shi Jun				-
Wang Yichu	100,000.00			100,000.00
Min Weiguo	100,000.00			100,000.00
Liu Renhuai	100,000.00			100,000.00
Yu Shiyou	100,000.00			100,000.00
Supervisors				
Wu Guangjun				-
Fu Xiaosi	45,000.00			45,000.00
Zhu Zhengfu(2019/1/1-2019/4/24)	35,951.00			35,951.00
Chen Shu(2019/5/28)	8,070.65			8,070.65
Mai Rongzhi		196,005.17	16,059.12	212,064.29
Zhang Shan		164,783.31	16,059.12	180,842.43
Total	489,021.65	1,525,415.88	112,413.84	2,126,851.37

Note: There is no discretionary bonus distributed to Directors and Supervisors during the period.

Amount for corresponding period of last year

Item	Fees of Directors and Supervisors	Salaries, bonus and allowance	Retirement benefit plan contributions	Total
Corresponding period of last year				
Executive Directors				
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
Non-executive Directors				
Yang Li				
Wang Guozhong (1/1-2/12)				
Shi Jun (Since 2/12)				
Song Dejin (1/1-2/12)	23,888.89			23,888.89
Zhu Mingyou (1/1-2/12)				
Wang Yichu	100,000.00			100,000.00
Min Weiguo	100,000.00			100,000.00
Liu Renhuai (Since 2/12)	76,111.11			76,111.11
Yu Shiyou	76,111.11			76,111.11
Supervisors				
Wu Guangjun				
Fu Xiaosi	45,000.00			45,000.00
Zhu Zhengfu	45,000.00			45,000.00
Ding Qianfang		45,831.24	3,824.73	49,655.97
Chen Shaolong (1/1-2/12)		41,218.20	3,824.73	45,042.93
Mai Rongzhi (Since 2/12)		187,970.85	11,474.19	199,445.04
Zhang Shan (Since 2/12)		123,312.22	18,017.19	141,329.41
Total	466,111.11	1,789,876.31	144,259.44	2,400,246.86

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2. Five highest paid individuals

Of the five highest paid individuals for the period, five are Directors (corresponding period of last year: five Directors). The remuneration of Directors and Supervisors were set out in Note XI.(II).5 "Compensation has been reflected in the remuneration of Directors and Supervisors".

Band of remuneration:

Item	Number of individuals for the period	Number of individuals for the corresponding period of last year
Less than HKD1,000,000	5	5
HKD1,000,001 to HKD1,5000,000		
HKD1,5000,001 to HKD2,000,000		
HKD2,000,001 to HKD2,500,000		

3. During the track record period, no director 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 allowance	2,461,812.77	2,710,235.34
Retirement benefit plan contributions	144,532.08	174,857.28
Total	2,606,344.85	2,885,092.62

(6) 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.

XIII. CONTINGENCIES

(1) Contingent liabilities arising from pending litigations or arbitrations

1. On 31 December 2010, GSI and Guangli, a subsidiary of the Company, filed three 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 dispute on a technical service contract, and Guangli sued Jiangsu Shenghua for dispute on breaching of Installation Contract of 79,600-ton bulk carriers 1# and 2#.

For the 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. The Company has handled the formal application to offset the debts by assets to the court on 19 August 2013, and the court has heard the trial on 20 November 2013.

In November 2014, GSI received notice from executive judges of Wuhan Maritime Court, that Jiangsu Shenghua has been ruled bankruptcy at Zhenjiang Intermediate Court at the end of October 2014, all cases which are being enforced shall be terminated, creditors shall report their claims in the Zhenjiang Intermediate People's Court. GSI 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.

As at the date of this report, there has been no progress of the aforesaid litigation.

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2. GSI and Guangzhou CSSC Longxue Construction Development Co., Ltd. ("Longxue Construction") required that Shandong Qingyun Crane Machinery Co., Ltd. ("Qingyun Company") and Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. ("Tian Jiang Company") shall repay a loan of RMB44,496,500 and accrued interest (from 29 July 2009 to the effective date of the judgment; calculated in accordance with the lending rates of People's Bank of China over the same period) to GSI and Longxue Construction; that Qingyun Company and Tian Jiang Company shall continue to fulfill their delivery obligations for the 9 cranes under the contract already shipped to Longxue Island, Nansha District, Guangzhou; and that Qingyun Company and Tian Jiang Company shall bear the cost of this litigation of RMB283,696 and the property preservation fees of RMB5,000.

On 8 April 2015, Jinan Intermediate People's Court issued the judgment that, the land use right of Qingyun Company and the properties on the land as well as the land use right of Tian Jiang Company, totally valued as RMB35,105,956, be delivered to GSI to offset some of the debts.

On 1 August 2016, the land and property located in Shanghe County became listed on Shanghai Assets and Equity Exchange; and on 30 May 2018, the land and property located in Shanghe County became listed on Tianjin Property Rights Exchange.

On 16 January 2019, Jinan Lvba Pesticide Co., Ltd. paid transaction deposit of RMB5.9 million and won the listing for sale at RMB19.82 million. As of the date of the report, the relevant procedures for asset transfer have not been completed.

3. The case of contractual dispute between Longxue Pipe, a subsidiary of the Company, and Guangzhou Huayu Electromechanical Equipment Co., Ltd. ("Huayu Company") was finally ruled by Guangzhou Intermediate People's Court on 13 October 2014. According to the ruling, Huayu Company 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 offsetting, Huayu Company still owed Longxue Pipe RMB4,652,263.03. As of the date of the report, RMB406,637.00 has been recovered, and for the remaining, Longxue Pipe has entrusted a lawyer to actively search for the executable property of Huayu Company.

- (2) **Save for the contingencies mentioned above, there was no other significant contingency within the Group as at the end of the period.**

XIV. COMMITMENTS

- (1) **Significant commitments**

1. **Pledge of assets**

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

2. **Undue guarantees and letter of credit**

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

Type of letters of guarantee	RMB	USD	EUR	Other currencies
Letters of performance guarantee	302,710,490.88	7,999,101.13		
Letters of advancement payment guarantee	277,515,013.95	100,981,595.83		
Letters of warranty guarantee	54,482,086.10	3,080,938.84		
Letters of customs duties guarantee	14,656,010.00			
Letters of progress payment guarantee				
Letters of other non-financing guarantee				
Letters of tender bond				
Letters of payment guarantee	115,444,756.00			201,000.00
Total	764,808,356.93	112,061,635.80		201,000.00

As at the end of the period, the Group's issued but undue letters of credit amounted to RMB0.00, US\$30,478,693.76, EUR6,860,459.10 and other currencies 0.

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3. Outstanding foreign exchange option transactions

The Group attaches great importance to the research of exchange risk management policies and strategies. To prevent exchange rate risks, the Group entered into forward exchange contracts (forward exchange settlement) and foreign exchange options contracts. As at the end of the period, the Group had a total of 159 outstanding forward settlement USD foreign exchange contracts with total amount of US\$1,035.5 million and latest settlement date of 20 June 2022, and recognized profit or loss on change in fair value of RMB-86,166,200 as at the end of the period; the Group had a total of 10 outstanding forward settlement Euro foreign exchange contracts with total amount of EUR151 million and latest settlement date of 29 June 2023, and recognised profit or loss on change in fair value of RMB17,048,100 as at the end of the period; the Group had a total of 108 outstanding options with total amount of US\$798 million and latest settlement date of 29 June 2021, and recognised profit or loss on change of fair value of RMB-86,640,700 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.

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 of the date of the report, the Group hasn't material non-adjustment event after the balance sheet date required to be disclosed.

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 4 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 engineering, ship repair and related business 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 during the year

1) Profit before tax, assets and liabilities for segments by product or business

Current period

Item	Shipbuilding and related business	Steel structure engineering	ship repair and related business	Other segments	Inter-segment elimination	Total
Operating income	8,163,215,956.79	438,843,173.74	281,878,559.73	742,751,349.95	-1,810,603,720.53	7,816,085,319.68
Including: Revenue from external transactions	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	-	7,816,085,319.68
Revenue from intra-segment transactions	1,194,470,303.42	118,829,504.62	2,823,694.00	494,480,218.49	-1,810,603,720.53	
Operating costs	8,143,237,454.33	413,911,766.76	243,599,568.60	719,951,004.87	-1,893,838,993.75	7,626,860,800.81
Charges during the period	527,118,126.73	42,485,743.23	97,203,992.58	30,341,273.90	-1,840,323.86	695,308,812.58
Segment total profit	762,844,365.46	-15,955,374.31	-57,906,889.17	10,337,143.29	4,290,610.52	703,609,855.79
Total assets	47,611,012,116.40	1,388,714,530.54	2,417,802,622.36	12,653,779,245.18	-16,514,772,789.35	47,556,535,725.13
Total liabilities	32,354,058,427.77	1,112,569,618.23	2,471,657,616.79	2,948,791,231.06	-6,473,957,967.23	32,413,118,926.62
Supplementary information						
Capital expenditure	1,284,222,110.56	2,702,028.55	12,143,108.54	2,758,734.95	-300,000,000.00	1,001,825,982.60
Impairment loss recognized during current period	77,708,026.97	558,718.94	-199,251.13	30,761.71	-28,084.55	78,070,171.94
Depreciation and amortisation expense	347,843,378.03	3,474,563.59	36,222,072.15	42,345,016.48	-1,200,425.03	428,684,605.22

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Corresponding period of last year

Item	Shipbuilding and related business	Steel structure engineering	ship repair and related business	Other segments	Inter-segment elimination	Total
Operating income	7,482,255,001.47	479,097,588.64	253,833,180.33	453,837,935.57	-195,254,906.27	8,473,768,799.74
Including: Revenue from external transactions	7,292,183,938.79	479,013,537.38	253,833,180.33	448,738,143.24		8,473,768,799.74
Revenue from intra-segment transactions	190,071,062.68	84,051.26		5,099,792.33	-195,254,906.27	
Operating costs	7,476,190,588.38	453,453,141.90	243,389,105.75	398,393,203.89	-188,128,545.16	8,383,297,494.76
Charges during the period	562,582,681.78	20,872,243.73	99,866,675.39	38,206,235.26	12,542,673.98	734,070,510.14
Segment total profit	-402,599,545.64	5,717,290.10	-89,369,084.21	5,804,967.47	20,673,052.15	-459,773,320.13
Total assets	48,871,338,220.68	1,164,236,972.75	2,379,417,256.47	10,249,175,834.91	-15,188,824,198.44	47,475,344,086.37
Total liabilities	34,225,463,809.53	874,376,973.12	2,371,477,071.83	1,090,599,358.83	-5,442,983,675.01	33,118,933,538.30
Supplementary information						
Capital expenditure	410,814,091.88	10,450,008.43	34,317,369.22	50,584,519.18	-100,000,000.00	406,165,988.71
Impairment loss recognized during current period	91,466,143.03	-484,217.97	-1,267,986.37	153,326.68		89,867,265.37
Depreciation and amortisation expense	350,744,067.39	3,030,163.40	36,857,081.12	36,483,404.17	295,071.53	427,409,787.61

2) Revenue from external transactions by origin of revenue

Revenue from external transactions	Current period	Corresponding period of last year
Revenue from external transactions derived from China	7,742,032,051.13	8,451,343,321.91
Revenue from external transactions derived from other countries	74,053,268.55	22,425,477.83
Total	7,816,085,319.68	8,473,768,799.74

3) Non-current assets by location of assets

Total non-current assets	Ending balance	Beginning balance
Non-current assets within China	14,536,622,713.50	17,072,158,586.14
Non-current assets in other countries	641,732,046.48	727,749,130.41
Total	15,178,354,759.98	17,799,907,716.55

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

(3) Other significant events

On 4 April 2019, the 13th meeting of the 9th session of the Board of Directors of the Company reviewed and approved the "Proposal on Major Adjustment of Structure of the Material Asset Restructuring Plan of the Company" and its related proposals. The material asset restructuring plan was intended to be adjusted as follows: the Company intended to carry out asset swaps with CSSC. The Company intended to swap in 100% equity interest of Eastern Shanghai Heavy Machinery Co., Ltd., 100% equity interest of CSSC Marine Power Co. Ltd., 51% equity interest of CSSC Marine Power Institute Co., Ltd. and 15% equity interest of Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd. held by CSSC., and swap out part of the equity interest of Huangpu Wenchong and GSI held by the Company that are equivalent in value to the above-mentioned swap-in assets.

On 7 August 2019, the 16th meeting of the 9th session of the Board of the Company reviewed and approved the "Proposal on Major Adjustment of Structure of the Material Asset Restructuring Plan (the Plan) of the Company" and related proposals. CSSC and China Shipbuilding Industry Corporation have drawn up strategic restructuring, and at the same time there is horizontal competition between the Company, CSSC and CSSC Holding. Considering the fact that overcapacity in the civilian product ship market is difficult to substantially improve in the short term, so in order to improve the Company's financial position, improve profitability, smoothly promote market-oriented debt-to-equity swap project and resolve horizontal competition, the Company intends to adjust the material assets restructuring plan reviewed and disclosed at the 13th meeting of the 9th session of the Board of Directors. The adjusted plan does not involve the issuance of shares to purchase assets and asset swap, and the transaction method is changed to assets sale. The specific content is as follows: the Company sells 27.4214% of the equity of interest GSI to China Shipbuilding, which will pay the transaction consideration by way of non-public issuance of A shares to the Company, and at the same time, the Company waives the pre-emptive rights of first refusal to acquire the 23.5786% equity interest in GSI and the 30.9836% equity interest in Huangpu Wenchong held and intended to transfer by market-oriented debt-to-equity investors of GSI and Huangpu Wenchong. Upon completion of the transaction, the Company is expected to acquire an approximately 5.28% equity interest in China Shipbuilding. Upon completion of the above, the Company will hold a 49% equity interest in GSI, and will no longer have a consolidated statement on it; and the Company will hold a 69.0164% equity interest in Huangpu Wenchong, which will remain a holding subsidiary within the scope of the Company's consolidated statements.

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On 16 September 2019, the 19th meeting of the 9th session of the Board of the Company reviewed and approved the "Proposal on the Increase of Registered Capital and Equity Structure Adjustment (Related Transactions) of the Subsidiary GSI", the "Proposal on the Increase of Registered Capital and Equity Structure Adjustment (Related Transactions) of the Subsidiary Huangpu Wenchong", the "Proposal on the Adjustment of the Consideration of the Company's Major Asset Sale Transaction" and related proposals. GSI and Huangpu Wenchong, subsidiaries of the Company, intend to transfer the state-owned exclusive capital reserve formed by the state-owned funds into registered capital and correspondingly adjust the shareholding structure; meanwhile, according to the assessment results filed with the State-owned Assets Supervision and Administration Commission of the State Council, the transaction price of the Company's sale of 27,4214% of the shares of GSI to China Shipbuilding was adjusted to RMB2,857,883,200. Upon completion of the above matters, the Company expects to acquire approximately 5.15% of the shares of China Shipbuilding; the Company will hold 46.3018% stake of GSI, and will no longer consolidate its statement; it will hold a 54.5371% stake of Huangpu Wenchong, which will be still a holding subsidiary within the scope of the consolidated statement of the Company. The relevant proposals on the above matters still need to be submitted to the 1st extraordinary shareholders meeting in 2019 for consideration. For details, please refer to the "Resolutions of the 16th Meeting of the 9th session of the Board of Directors of CSSC Offshore" issued on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn) on 16 September 2019.

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

(1) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash on hand	271.51	1,170.04
Bank deposits	107,410,724.02	99,369,951.01
Other cash at bank and on hand		
Total	107,410,995.53	99,371,121.05

Including: Total amount deposited overseas

Breakdown of restricted cash at bank and on hand utilised

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	30,000,000.00	
Total	30,000,000.00	

(2) Accounts receivable

Item	Ending balance	Beginning balance
Accounts receivable	45,183,703.24	51,860,731.28
Less: Provision for bad debts	5,364,529.93	5,432,061.08
Net amount	39,819,173.31	46,428,670.20

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

Ageing	Ending balance			Beginning balance		
	Book balance	Provision for bad debts	Percentage of provision (%)	Book balance	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	33,891,884.46	68,633.54	0.20	40,989,081.81	148,842.59	0.36
1-2 years	2,842,995.60	14,214.98	0.50	1,476,215.48	7,381.08	0.50
2-3 years	222,666.67	113.33	0.05	200,000.00		
3-4 years						
4-5 years	4,379,465.15	4,200,365.15	95.91	5,352,687.69	4,198,241.52	78.43
Over 5 years	3,846,691.36	1,081,202.93	28.11	3,842,746.30	1,077,595.89	28.04
Total	45,183,703.24	5,364,529.93		51,860,731.28	5,432,061.08	

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2. Credit period of accounts receivable

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

3. Breakdown of accounts receivable by the method using which the provision for bad debts is made

Type	Ending balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis	5,267,273.67	11.66	5,267,273.67	100.00	
Including: Accounts receivable of which the credit risk has significantly increased since initial recognition	5,267,273.67	11.66	5,267,273.67	100.00	
Provision for bad debts made on a collective basis	39,916,429.57	88.34	97,256.26	0.24	39,819,173.31
Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	39,916,429.57	88.34	97,256.26	0.24	39,819,173.31
Total	45,183,703.24	-	5,364,529.93	-	39,819,173.31

Type	Beginning balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage of provision(%)	
Provision for bad debts made on an individual basis	5,256,643.45	10.14	5,256,643.45	100.00	
Including: Accounts receivable of which the credit risk has significantly increased since initial recognition	5,256,643.45	10.14	5,256,643.45	100.00	
Provision for bad debts made on a collective basis	46,604,087.83	89.86	175,417.63	0.38	46,428,670.20
Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	46,604,087.83	89.86	175,417.63	0.38	46,428,670.20
Total	51,860,731.28	-	5,432,061.08	-	46,428,670.20

1) Provision for bad debts made on an individual basis

Name of entity	Book balance	Provision for bad debts	Ending balance Percentage of provision (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,199,465.15	4,199,465.15	100.00	Very little chance of recovery
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Long ageing, with risk of collection
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Long ageing, with risk of collection
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long ageing, with risk of collection
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Long ageing, with risk of collection
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long ageing, with risk of collection
Zhenhua Gulf Engineering Co. Ltd.	75,764.08	75,764.08	100.00	Long ageing, with risk of collection
Qingdao Haier Special Plastic Development Co. Ltd.	44,800.00	44,800.00	100.00	Long ageing, with risk of collection
Hisense (Nanjing) Electric Company Limited	39,100.00	39,100.00	100.00	Long ageing, with risk of collection
Guangzhou Merro Steel Grating Co., Ltd.	35,000.00	35,000.00	100.00	Long ageing, with risk of collection
Hefei Haier Refrigerator Co., Ltd.	32,600.00	32,600.00	100.00	Long ageing, with risk of collection
Qingdao Haier Electric Plastic Development Co., Ltd.	18,000.00	18,000.00	100.00	Long ageing, with risk of collection
Shenzhen Jishang Architectural Company	15,904.00	15,904.00	100.00	Long ageing, with risk of collection
Hefei Rongshida Refrigerator Co., Ltd.	14,565.60	14,565.60	100.00	Long ageing, with risk of collection
Total	5,267,273.67	5,267,273.67	/	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

2) *Provision for bad debts made on a collective basis*

Ageing	Book balance	Ending balance	
		Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	13,726,708.41	68,633.53	0.50
1-2 years	2,842,995.60	14,214.98	0.50
2-3 years	22,666.67	113.33	0.50
3-4 years			
4-5 years	180,000.00	900.00	0.50
Over 5 years	2,678,882.84	13,394.42	0.50
Total	19,451,253.52	97,256.26	

3) *Accounts receivable for which no provision for bad debts is made*

Name of portfolio	Book balance	Provision for bad debts	Net amount
Receivables from subsidiaries	20,465,176.05	0.00	20,465,176.05
Total	20,465,176.05	0.00	20,465,176.05

4. *Changes in provision for bad debts*

Type	Beginning balance	Provision made	Amount of change			Ending balance
			Recovered or reversed	Offset or written off	Change in scope of consolidation	
Provision for bad debts in respect of accounts receivable	5,432,061.08	-67,531.15				5,364,529.93
Total	5,432,061.08	-67,531.15				5,364,529.93

5. *Top five accounts receivable by ending balance of debtors*

Name of entity	Ending balance	Ageing	Percentage of total accounts receivable (%)	Balance of provision for bad debts
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	12,301,059.09	Within one year	27.22	
Guangzhou Shipyard International Company Limited	5,438,474.38	Within one year	12.04	
TENOVA AUSTRALIA PTY LTD	4,199,465.15	3-4 years	9.29	4,199,465.15
Shenzhen Xuneng Power Generation Co., Ltd.	2,317,289.60	1-2 years	5.13	11,586.45
Zhongshan GSI Marine Engineering Company Limited	2,166,140.31	Within one year	4.79	
Total	26,422,428.53	-	-	4,211,051.60

6. *Accounts receivable derecognised arising from transfer of financial assets*

None

7. *Amounts of assets and liabilities transferred from accounts receivable with continuing involvement*

None

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(3) Prepayments

1. Breakdown of ageing of prepayments

Ageing	Ending balance			Beginning balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within one year (including one year)	1,136,207.36	60.49	-	1,379,771.04	65.70	-
1-2 years	22,359.13	1.19	-	20,459.60	0.97	-
2-3 years	19,703.60	1.05	-	-	0.00	-
Over 3 years	700,000.00	37.27	-	700,000.00	33.33	-
Total	1,878,270.09	-	-	2,100,230.64	-	-

2. Breakdown of significant prepayments aged over one year as at the end of the period

Creditor	Debtor	Ending balance	Including: Over one year	Ageing	Reason for unsettlement
The Company	Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	700,000.00	700,000.00	Over 3 years	Project uncompleted
Total	700,000.00	700,000.00			

3. Top five prepayments by ending balance of debtors

Name of entity	Ending balance	Ageing	Percentage of total prepayments (%)
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	700,000.00	Over 3 years	37.27
Cybelec Numerical Control Technology (Shanghai) Co., Ltd.	290,718.00	Within one year	15.48
Shanghai Mingjue Trading Co., Ltd.	133,944.00	Within one year	7.13
Guangzhou Jin Jie Fu Metal Products Co., Ltd.	127,635.00	Within one year	6.80
Shenzhen Liwei Smart Technology Co., Ltd.	114,000.00	Within one year	6.07
Total	1,366,297.00		-

(4) Other receivables

Type	Ending balance	Beginning balance
Interest receivable	44,340.01	558,431.55
Dividends receivable	-	-
Other receivables	9,246,272.43	8,961,599.51
Total	9,290,612.44	9,520,031.06

1. Interest receivable

Item	Ending balance	Beginning balance
Interest on deposits of finance company	44,340.01	558,431.55
Total	44,340.01	558,431.55

1) Significant overdue interest

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

2) Information on provision for bad debts made

The Company's interest receivable as at the end of the period represented interest on deposits with bank and other financial institutions and will be recovered within one year. No provision for bad debts had been made by the Company.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

2. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	9,249,973.33	8,965,548.58
Less: Provision for bad debts	3,700.90	3,949.07
Net amount	9,246,272.43	8,961,599.51

1) Breakdown of other receivables by nature

Nature of amount	Book balance as at the end of the period	Book balance as at the beginning of the period
Reserve funds	107,726.80	23,834.00
Deposit	513,748.00	
Refundable deposit		10,440.00
Temporary payments receivable	8,628,498.53	8,931,274.58
Total	9,249,973.33	8,965,548.58

2) Information on provision for bad debts made

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	
Balance as at 1 January 2019		3,949.07		3,949.07
Balance at the period as at 1 January 2019				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the current period		-248.17		-248.17
Balance as at 30 June 2019		3,700.90		3,700.90

① Information on the book balance of provision for bad debts made for other receivables on a collective basis at stage 2:

Ageing	Book balance	Ending balance Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	695,549.93	3,474.90	0.50
1-2 years			
2-3 years			
3-4 years	45,200.00	226.00	0.50
4-5 years			
Over 5 years			
Total	740,749.93	3,700.90	-

② Other receivables without provision for bad debts

Name of portfolio	Book balance	Provision for bad debts	Net amount
Receivables from subsidiaries	8,509,223.40		8,509,223.40
Total	8,509,223.40		8,509,223.40

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

3) Ageing analysis of other receivables

Ageing	Ending balance			Beginning balance		
	Book balance	Provision for bad debts	Percentage of provision (%)	Book balance	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	9,204,773.33	3,474.90	0.04	8,226,153.00	252.09	
1-2 years				467,795.58	2,338.98	0.50
2-3 years				265,000.00	1,325.00	0.50
3-4 years	45,200.00	226.00	0.50	6,600.00	33.00	0.50
4-5 years						
Over 5 years						
Total	9,249,973.33	3,700.90	-	8,965,548.58	3,949.07	-

4) Changes in provision for bad debts

Type	Beginning balance	Amount of change			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Other receivables Provision for bad debts	3,949.07	-248.17			3,700.90
Total	3,949.07	-248.17			3,700.90

5) Top five other receivables by ending balance of debtors

Debtor	Nature of amount	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debts
Guangzhou Shipyard International Company Limited	Current account	7,526,909.51	Within one year	81.37	
CSSC Huangpu Wenchong Shipbuilding Company Limited	Interest on borrowing and repayment on a consolidated basis/entrusted loans	982,013.89	Within one year	10.62	
Marine Development (Zhongshan) Co., Ltd.	Deposit	265,000.00	3-4 years	2.86	1,325.00
China Shipbuilding Materials South China Co., Ltd.	Deposit	248,748.00	Within one year	2.69	1,243.74
CSSC (Hong Kong) Shipping Company Limited	Current account	41,226.72	Within one year	0.45	206.13
Total	-	9,063,898.12	-	97.99	2,774.87

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(5) Inventories

1. Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment of inventories and provision for impairment of contract performance cost	Carrying value	Book balance	Provision for impairment of inventories and provision for impairment of contract performance cost	Carrying value
Raw materials	18,856,104.96		18,856,104.96	14,617,277.36		14,617,277.36
Finished goods	11,930,812.38		11,930,812.38	17,255,982.52	15,951.95	17,240,030.57
Contract performance cost	42,948,522.31	2,038,262.76	40,910,259.55	67,225,269.25	3,091,198.65	64,134,070.60
Goods in transit	7,473,388.39		7,473,388.39	2,906,014.74		2,906,014.74
Total	81,208,828.04	2,038,262.76	79,170,565.28	102,004,543.87	3,107,150.60	98,897,393.27

2. Provision for impairment of inventories and provision for impairment of contract performance cost

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision made	Others	Reversal or writing-off	Others	
Raw materials						
Products in production						
Finished goods	15,951.95				15,951.95	
Reusable materials						
Consumable biological assets						
Contract performance cost	3,091,198.65			1,052,935.89		2,038,262.76
Total	3,107,150.60			1,052,935.89	15,951.95	2,038,262.76

3. Specific basis for determining the net realizable value and the reasons for reversal or resale during the Reporting Period in which the inventory depreciation provision is made

Item	Basis for determination of net realisable value	Reason for reversal or writing-off
Contract performance cost	Book cost higher than net realisable value (estimated selling price less related selling costs and expenses)	Completed for sale
Finished goods	Book cost higher than net realisable value (estimated selling price less taxes)	

(6) Non-current assets due within one year

Item	Ending balance	Beginning balance
Long-term entrusted loans due within one year	300,000,000.00	
Long-term receivables due within one year	200,000,000.00	
Total	500,000,000.00	

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
Input tax to be offset	11,243,460.53	11,163,163.71
Short-term entrusted loans		100,000,000.00
Short-term borrowing and repayment on a consolidated basis	850,000,000.00	650,000,000.00
Total	861,243,460.53	761,163,163.71

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(8) 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 joint ventures	46,183,235.15		46,183,235.15	47,924,819.35		47,924,819.35
Investments in associates	640,805,606.22		640,805,606.22	640,629,928.82		640,629,928.82
Total	7,919,870,080.03		7,919,870,080.03	7,921,435,986.83		7,921,435,986.83

1. Investments in subsidiaries

Investee	Beginning balance	Increase for the period	Decrease for the period	Ending balance	Provision made during the current period	Provision for impairment	Ending balance
Guangzhou Shipyard International Company Limited	4,061,415,202.10			4,061,415,202.10			
CSSC Huangpu Wenchong Shipbuilding Company Limited	3,171,466,036.56			3,171,466,036.56			
Total	7,232,881,238.66			7,232,881,238.66			

2. Investments in associates and joint ventures

Investee	Beginning balance	Change for the period							Ending balance	Ending balance of provision for impairment
		Additional investment	Decrease in investment	Investment gain or loss recognised using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision for impairment made		
I. Joint ventures										
Nanfeng Environment Co., Ltd.	47,924,819.35			-1,741,584.20						46,183,235.15
Sub-total	47,924,819.35			-1,741,584.20						46,183,235.15
II. Associates										
CSSC Chengxi Yangzhou Shipbuilding Company Limited	640,629,928.82			262,372.02			-86,694.62			640,805,606.22
Sub-total	640,629,928.82			262,372.02			-86,694.62			640,805,606.22
Total	688,554,748.17			-1,479,212.18			-86,694.62			686,988,841.37

3. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	7,919,870,080.03	7,921,435,986.83
Total	7,919,870,080.03	7,921,435,986.83

(9) Fixed assets

Item	Ending balance	Beginning balance
Fixed assets	67,806,780.87	70,839,970.49
Disposal of fixed assets		
Total	67,806,780.87	70,839,970.49

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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1. Breakdown of fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation vehicles	Other equipment	Total
I. Original carrying amount:					
1. Beginning balance	135,879,178.20	79,116,042.43	2,621,466.86	1,535,395.19	219,152,082.68
2. Increase for the period		11,896.55		55,132.03	67,028.58
(1) Purchase					
(2) Transfer from construction in progress		11,896.55		55,132.03	67,028.58
3. Decrease for the period					
(1) Disposal or retirement					
4. Ending balance	135,879,178.20	79,127,938.98	2,621,466.86	1,590,527.22	219,219,111.26
II. Accumulated depreciation					
1. Beginning balance	80,442,441.24	65,314,929.37	2,016,207.83	538,533.75	148,312,112.19
2. Increase for the period	1,693,898.04	1,246,927.34	41,983.45	117,409.37	3,100,218.20
(1) Provision made	1,693,898.04	1,246,927.34	41,983.45	117,409.37	3,100,218.20
3. Decrease for the period					
(1) Disposal or retirement					
4. Ending balance	82,136,339.28	66,561,856.71	2,058,191.28	655,943.12	151,412,330.39
III. Provision for impairment					
1. Beginning balance					
2. Increase for the period					
3. Decrease for the period					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	53,742,838.92	12,566,082.27	563,275.58	934,584.10	67,806,780.87
2. Beginning carrying value	55,436,736.96	13,801,113.06	605,259.03	996,861.44	70,839,970.49

The depreciation and amortisation of fixed assets recognised in profit or loss during the period is RMB3,100,218.20 (corresponding period of last year: RMB3,481,014.92).

2. Buildings and structures analysed by region and term

Item	Ending carrying value	Beginning carrying value
Within China	53,742,838.92	55,436,736.96
Including: Medium term (10-50 years)	53,742,838.92	55,436,736.96

(10) Right-of-use assets

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance		
2. Increase for the period	2,730,577.09	2,730,577.09
3. Decrease for the period		
4. Ending balance	2,730,577.09	2,730,577.09
II. Accumulated depreciation		
1. Beginning balance		
2. Increase for the period	379,246.80	379,246.80
(1) Provision made	379,246.80	379,246.80
3. Decrease for the period		
4. Ending balance	379,246.80	379,246.80
III. Provision for impairment		
1. Beginning balance		
2. Increase for the period		
3. Decrease for the period		
4. Ending balance		
IV. Carrying value		
1. Ending carrying value	2,351,330.29	2,351,330.29
2. Beginning carrying value		

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(11) Intangible assets

Item	Land use rights	Total
I. Original carrying amount		
1. Beginning balance	14,780,508.50	14,780,508.50
2. Increase for the period		
3. Decrease for the period		
4. Ending balance	14,780,508.50	14,780,508.50
II. Accumulated amortisation		
1. Beginning balance	4,311,781.76	4,311,781.76
2. Increase for the period	145,967.81	145,967.81
(1) Provision made	145,967.81	145,967.81
3. Decrease for the period		
4. Ending balance	4,457,749.57	4,457,749.57
III. Provision for impairment		
1. Beginning balance		
2. Increase for the period		
3. Decrease for the period		
4. Ending balance		
IV. Carrying value		
1. Ending carrying value	10,322,758.93	10,322,758.93
2. Beginning carrying value	10,468,726.74	10,468,726.74

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

Land use rights analysed by region and term

Item	Ending carrying value	Beginning carrying value
Within China	10,322,758.93	10,468,726.74
Including: Medium term (10-50 years)	10,322,758.93	10,468,726.74

Depreciation and amortization of intangible assets recognised in profit or loss during the period is RMB145,967.81 (corresponding period of last year: RMB161,651.58).

(12) Long-term prepaid expenses

Item	Beginning balance	Increase for the period	Amortisation for the period	Other decreases	Ending balance
Improvement in leased fixed assets		922,760.83	28,836.28		893,924.55

(13) Deferred tax assets/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

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2. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	7,406,493.59	8,543,160.75
Deductible tax loss	399,578,865.04	392,403,811.89
Total	406,985,358.63	400,946,972.64

3. Deductible loss for which no deferred tax assets are recognised will become due in the following years

Year	Ending balance	Beginning balance
2020	328,054,955.11	328,054,955.11
2021	51,262,939.86	51,262,939.86
2022		
2023	20,260,970.07	13,085,916.92
Total	399,578,865.04	392,403,811.89

(14) Other non-current assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	15,653,145.42	13,860,105.78
Long-term entrusted loans	420,000,000.00	620,000,000.00
Total	435,653,145.42	633,860,105.78

(15) Short-term borrowings

1. Breakdown of short-term borrowings

Item	Ending balance	Beginning balance
Credit loans	850,000,000.00	650,000,000.00

As at the end of the period, the weighted average annual interest rate of short-term borrowings was 3.297%.

(16) Accounts payable

1. Accounts payable by category

Item	Ending balance	Beginning balance
Materials purchased	42,828,216.84	53,508,879.72
Balance of product payment	160,584.16	623,803.11
Retention money	1,224,706.20	1,936,196.71
Other construction and labour services	4,421,674.36	2,776,712.04
Total	48,635,181.56	58,845,591.58

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

Item	Ending balance	Beginning balance
Within one year (including one year)	36,025,225.28	41,770,665.95
1-2 years	3,188,696.64	3,166,464.66
2-3 years	67,266.39	5,227,966.00
Over 3 years	9,353,993.25	8,680,494.97
Total	48,635,181.56	58,845,591.58

3. Significant accounts payable aged over one year

Item	Ending balance	Reason for unsettlement or carrying forward
Guangzhou United Steel Structures Limited	3,273,821.82	Undue
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	4,501,679.46	Undue
Guangzhou Guanghang Ship Steel Co., Ltd.	158,828.78	Undue
Shanghai Jiadi Steel Building Products Co., Ltd.	138,054.00	Undue
Guangzhou Yihua Ship Engineering Co., Ltd.	187,637.19	Undue
Yizheng Hengda Steel Structures Limited	370,450.00	Undue
Lianjian-Fonkwang JV Limited	334,575.14	Undue
Guangzhou Guangyuan Steel Structures Limited	111,110.77	Undue
Total	9,076,157.16	

(17) Contract liabilities

Item	Ending balance	Beginning balance
Electromechanical products and others	48,817,564.81	65,497,566.97

Note: Included in the carrying value of contract liabilities at the beginning of the period was income recognised of RMB36,517,295.61.

(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 remuneration		24,707,049.02	24,707,049.02	
Post-employment benefits – defined contribution plans		1,580,102.76	1,580,102.76	
Termination benefits				
Other benefits due within one year				
Total		26,287,151.78	26,287,151.78	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

2. Short-term remuneration

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Salaries, bonuses, allowances and subsidies		12,574,734.55	12,574,734.55	
Employee benefits		840,888.21	840,888.21	
Social insurance		833,529.49	833,529.49	
Including: Medical insurance contribution		687,172.87	687,172.87	
Work-related injury insurance contribution		28,130.17	28,130.17	
Maternity insurance contribution		118,226.45	118,226.45	
Housing fund		929,091.00	929,091.00	
Labour union & employee education funds		366,218.23	366,218.23	
Short-term paid absence				
Short-term profit sharing plan				
Outsourcing labour costs and others Short-term remuneration		9,162,587.54	9,162,587.54	
Total		24,707,049.02	24,707,049.02	

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		1,511,965.78	1,511,965.78	
Unemployment insurance contribution		68,136.98	68,136.98	
Enterprise annuity contribution				
Total		1,580,102.76	1,580,102.76	

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	1,203,507.91	1,479,060.70
Consumption tax		
Individual income tax	273,517.90	428,611.09
City maintenance and construction tax	84,245.55	103,572.54
Property tax	485,152.26	807,342.83
Land use tax	179,033.10	273,550.80
Educational surcharge	60,175.40	73,980.38
Other taxes	53,404.77	51,173.95
Total	2,339,036.89	3,217,292.29

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(20) Other payables

Item	Ending balance	Beginning balance
Interest payable	891,458.34	731,881.94
Dividends payable	304,042.49	304,042.49
Other payables	44,773,843.02	40,958,924.28
Total	45,969,343.85	41,994,848.71

1. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings for which the interest is paid in instalments and the principal is repaid when due	113,055.56	
Short-term borrowings interest payable	778,402.78	731,881.94
Total	891,458.34	731,881.94

2. Dividends payable

Item	Ending balance	Beginning balance
Dividends on ordinary shares	304,042.49	304,042.49

3. Other payables

1) Other payables by nature

Item	Ending balance	Beginning balance
Deposits received	750,000.00	750,000.00
Payables for temporary receipts	44,023,843.02	40,208,924.28
Total	44,773,843.02	40,958,924.28

2) Significant other payables aged over one year

Item	Ending balance	Reason for unsettlement or carrying forward
Foshan Nanhai Yangming Ship Hardware Co., Ltd.	300,000.00	Deposits received

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(21) **Non-current liabilities due within one year**

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	200,000,000.00	

Including: Long-term borrowings due within one year

Type	Ending balance	Beginning balance
Credit loans	200,000,000.00	
Total	200,000,000.00	

The carrying amount of the above borrowings shall be repaid:

Within one year

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, as shown under current liabilities

Amount shown under non-current liabilities

200,000,000.00	
200,000,000.00	

(22) **Other current liabilities**

Item	Ending balance	Beginning balance
Output tax to be transferred	352,329.61	77,418.16

(23) **Lease liabilities**

Item	Ending balance	Beginning balance
Office lease of the Company's headquarter	2,399,044.36	

(24) **Long-term payables**

Item	Ending balance	Beginning balance
Special payables	99,370,000.00	99,370,000.00

1. Special payables

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

Note: The above are state funds allocated to the projects.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(25) **Share capital**

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

(26) **Capital reserve**

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Capital premium(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

(27) **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

(28) **Undistributed profit**

Item	Current period	Last period
Undistributed profit as at the end of last period before adjustment	720,977,633.51	744,290,926.38
Total year-beginning adjustment to undistributed profit		
Undistributed profit at the year beginning after adjustment	720,977,633.51	744,290,926.38
Add: Net profit attributable to owners of the Parent Company for the period	2,745,914.13	-13,294,392.79
Less: Statutory surplus reserve set aside		
Undistributed profit as at the end of the period	723,723,547.64	730,996,533.59

(29) **Net current assets**

Item	Ending balance	Beginning balance
Current assets	1,598,813,077.18	1,017,480,609.93
Less: Current liabilities	1,196,113,456.72	819,632,717.71
Net current assets	402,699,620.46	197,847,892.22

(30) **Total assets less current liabilities**

Item	Ending balance	Beginning balance
Total assets	10,055,711,097.27	9,674,085,399.77
Less: Current liabilities	1,196,113,456.72	819,632,717.71
Total assets less current liabilities	8,859,597,640.55	8,854,452,682.06

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(31) Borrowings

Details of the borrowings of the Company are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	850,000,000.00	650,000,000.00
Non-current liabilities due within one year	200,000,000.00	
Long-term borrowings		
Total	1,050,000,000.00	650,000,000.00

1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings	1,050,000,000.00	650,000,000.00
– Bank borrowings repayable within 5 years	1,050,000,000.00	650,000,000.00
– Bank borrowings repayable after 5 years		
Other borrowings		
– Other borrowings repayable within 5 years		
– Other borrowings repayable after 5 years		
Total	1,050,000,000.00	650,000,000.00

2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	1,050,000,000.00	650,000,000.00
1-2 years		
2-5 years		
Over 5 years		
Total	1,050,000,000.00	650,000,000.00

(32) Operating income & Operating costs

1. Information on operating income and operating cost

Item	Current period		Last period	
	Income	Costs	Income	Costs
Principal business	87,927,387.94	87,767,538.10	80,998,086.39	91,629,949.68
Other business	4,034,001.87	1,275,411.47	1,241,490.33	15,849.06
Total	91,961,389.81	89,042,949.57	82,239,576.72	91,645,798.74

Gross profit from principal business

Item	Current period	Last period
Income from principal business	87,927,387.94	80,998,086.39
Costs of principal business	87,767,538.10	91,629,949.68
Gross profit of principal business	159,849.84	-10,631,863.29

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

1) *Principal business – by product*

Item	Current period	Last period
Operating income		
Electromechanical products and others	75,925,664.80	80,998,086.39
Steel structure products	12,001,723.14	
Total	87,927,387.94	80,998,086.39
Item	Current period	Last period
Operating costs		
Electromechanical products and others	76,142,272.47	91,629,949.68
Steel structure products	11,625,265.63	
Total	87,767,538.10	91,629,949.68

2) *Principal business – by region*

Item	Current period	Last period
Operating income		
China (including Hong Kong, Macau and Taiwan)	87,927,387.94	80,998,086.39
Item	Current period	Last period
Operating costs		
China (including Hong Kong, Macau and Taiwan)	87,767,538.10	91,629,949.68

3) *Other operating income and other operating costs*

Item	Current period	Last period
Income from other business		
Sales of scrap materials	2,146,264.83	1,225,641.27
Service income	973,451.33	15,849.06
Rental income	914,285.71	
Total	4,034,001.87	1,241,490.33
Costs of other business		
Sales of scrap materials	34,424.02	15,849.06
Service income	442,914.53	
Rental income	798,072.92	
Total	1,275,411.47	15,849.06

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

2. Top five customers by operating income

Item	Current period	Percentage of total income from principal business (%)
Guangzhou Shipyard International Company Limited	24,444,205.60	27.80
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	10,885,893.00	12.38
Zhongshan GSI Marine Engineering Company Limited	9,649,052.00	10.97
Changsha Zehai Electromechanical Equipment Co., Ltd.	5,810,748.38	6.61
Guangdong Provincial Highway Construction Co., Ltd., South Ring Section Branch	4,642,691.90	5.28
Total	55,432,590.88	63.04

3. Purchase amounts from top five suppliers

Item	Relationship with the Group	Current period	Percentage of total cost of principal business (%)
Foshan Shunde Bogang Metal Trading Co., Ltd.	Non-related	9,977,744.23	11.37
Anhui Powmac Heavy Industry Machinery Equipment Co., Ltd.	Non-related	4,006,414.12	4.56
Zhongshan GSI Marine Engineering Company Limited	Subsidiary	1,916,644.76	2.18
Guangzhou Guangchuan Large-scale Machinery and Equipment Co., Ltd.	Subsidiary	1,642,506.00	1.87
Anhui Lianmeng Mould Industrial Co.,Ltd.	Non-related	1,447,880.00	1.65
Total		18,991,189.11	21.63

(33) Taxes and surcharges

Item	Current period	Last period
City maintenance and construction tax	335,730.59	81,934.86
Educational surcharge	239,807.57	58,524.91
Property tax	594,866.55	485,152.80
Land use tax	179,963.10	179,033.10
Stamp duty	44,498.95	44,890.12
Vehicle usage tax	1,592.16	1,592.16
Total	1,396,458.92	851,127.95

(34) Selling expenses

Item	Current period	Last period
Transportation fees	910,383.10	1,642,643.26
Exhibition fees		110,037.74
Advertising publicity fee	14,916.81	1,388.35
Business expenditure	318,934.24	680,048.94
Repairing expenses	1,002.83	
Total	1,245,236.98	2,434,118.29

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(35) Administrative expenses

Item	Current period	Last period
Employee benefits	3,915,628.71	3,164,040.78
Board meeting fee	1,256,866.52	1,786,767.43
Repairing expenses	420,957.39	919,521.18
Consulting fee	273,584.91	
Depreciation charge	196,575.26	170,463.57
Travelling expense	164,876.61	150,577.62
Amortisation of intangible assets	67,548.66	161,651.58
Business entertainment expense	63,034.92	109,938.94
Office expenses	43,921.24	44,052.93
Litigation fees	35,795.66	75,111.12
Intermediary fee	57,578.26	123,381.04
Insurance premium	8,084.57	9,699.81
Yangfan project cost	1,410,206.56	
Shenlan project	951,022.15	
Shunfeng project cost	138,553.25	669,092.53
Information management fee	85,373.16	248,345.73
Logistics service fee	87,735.85	221,555.86
Guard and fire	189,698.77	200,327.08
Party and mass work expenses	39,468.92	65,208.53
Others	644,905.79	503,916.83
Total	10,051,417.16	8,623,652.56

(36) Finance cost

Item	Current period	Last period
Interest expense	14,208,124.99	2,282,026.39
Interest income	28,187,838.37	14,887,597.24
Add: Exchange losses	-10,630.22	647,405.27
Add: Other expenses	58,241.01	154,644.39
Total	-13,932,102.59	-11,803,521.19

1. Breakdown of interest expenses

Item	Current period	Last period
Interest on bank borrowings and overdraft	14,208,124.99	2,282,026.39
Interest on bank borrowings due within 5 years	14,208,124.99	2,282,026.39
Other interest expense		
Sub-total	14,208,124.99	2,282,026.39
Less: Interest capitalised		
Less: Interest subsidy		
Total	14,208,124.99	2,282,026.39

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

2. Breakdown of interest income

Item	Current period	Last period
Bank deposits interest income	594,766.43	1,390,602.28
Other interest income	27,593,071.94	13,496,994.96
Total	28,187,838.37	14,887,597.24

(37) Credit impairment loss

Item	Current period	Last period
Loss on bad debts of accounts receivable	67,531.15	-53,021.25
Loss on bad debts of other receivables	248.17	842.94
Total	67,779.32	-52,178.31

(38) Investment income

Item	Current period	Last period
Gain on long-term equity investments accounted for using equity method	-1,479,212.18	-3,699,482.54
Total	-1,479,212.18	-3,699,482.54

The investment income from unlisted investments for the period amounted to RMB-1,479,212.18.

(39) Non-operating expenses

Item	Current period	Last period	Amount included in non-recurring gains and losses for current period
Total losses on disposal of non-current assets		31,132.31	
Including: Loss on disposal of fixed assets		31,132.31	
Losses from debt restructuring			
Non-monetary asset exchange loss			
External donation expenses			
Penalty	82.78		82.78
Total	82.78	31,132.31	82.78

The amount included in non-recurring gains and losses for the period was RMB82.78 (corresponding period of last year: RMB31,132.31).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(40) Income tax expense

Reconciliation sheet between income tax expenses and total profit

Income tax expenses calculation is based on 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	2,745,914.13	-13,294,392.79
Income tax expenses calculated at statutory/applicable tax rate	686,478.53	-3,323,598.20
Impact of different tax rates for subsidiaries		
Impact of adjustment for income tax for previous period		
Impact of non-taxable income	-369,803.05	924,870.64
Impact of non-deductible costs, expenses and losses	6,323.56	78,998.79
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-322,999.04	
Impact of deductible temporary differences for which no deferred tax assets are recognised for the period or deductible losses		2,319,728.77
Under-provision for income tax for last period		
Change in balance of deferred tax assets/liabilities as a result of change in tax rate		
Income tax expense		

(41) Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of investment properties		
Depreciation of fixed assets	3,100,218.20	3,481,014.92
Amortisation of intangible assets	145,967.81	161,651.58
Amortisation of long-term prepaid expenses	28,836.28	2,344.24
Depreciation of right-of-use assets	379,246.80	
Total	3,654,269.09	3,645,010.74

(42) Gains (or losses) on disposal of investments or properties

No Gains (or losses) on disposal of investments or properties this period (corresponding period of last year: none).

(43) Operating rental expense

Operating rental expense for the period is RMB2,811,490.29 (corresponding period of last year: RMB1,644,611.82).

(44) Rental income

Operating rental income for the period is RMB914,285.71 (corresponding period of last year: RMB0), including rental income from land and buildings of RMB914,285.71 (last period: RMB0).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

(45) Supplementary information on income statement of the Parent Company

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

Item	Current period	Last period
Raw materials consumed	44,445,584.92	39,613,190.81
Employee compensation expenses	24,538,298.70	15,725,593.64
Depreciation expenses	3,479,465.00	3,481,014.92
Amortisation expenses	174,804.09	163,995.82
Fuel power fee	3,020,912.71	1,500,141.79
Product fee	20,171,660.98	30,807,669.24
Balance of product payment		
Others	4,508,877.31	11,411,963.37
Total	100,339,603.71	102,703,569.59

(46) 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	Last period
Other current account received	2,655,585.47	7,188,672.30
Interest income	2,885,996.85	1,794,511.97
Total	5,541,582.32	8,983,184.27

2) Other cash payments relating to operating activities

Item	Current period	Last period
Payment of other current accounts	7,615,253.22	13,413,428.55
Administrative expense	5,397,909.09	5,199,423.78
Reserve funds	441,314.97	332,093.73
Selling expenses	17,421.14	306,442.31
Bank charges	58,631.90	212,877.27
Total	13,530,530.32	19,464,265.64

3) Other cash receipts relating to investing activities

Item	Current period	Last period
Collection of principal of loans made and settled on a consolidated basis	100,000,000.00	491,000,000.00
Collection of interest on loans made and settled on a consolidated basis	14,008,652.77	2,565,179.17
Entrusted loans interest income	14,354,444.43	11,454,444.44
Total	128,363,097.20	505,019,623.61

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

4) *Other cash payments relating to investing activities*

Item	Current period	Last period
Grant of entrusted loans to subsidiaries	100,000,000.00	400,000,000.00
Payment of loans to subsidiaries made and settled on a consolidated basis	400,000,000.00	
Half-year deposit	30,000,000.00	
Total	530,000,000.00	400,000,000.00

2. *Supplementary information on cash flow statement of the Company*

Item	Current period	Last period
Reconciliation of net profit and cash flows from operating activities:		
Net profit	2,745,914.13	-13,294,392.79
Add: Provision for impairment of assets		
Credit impairment loss	-67,779.32	52,178.31
Depreciation of fixed assets	3,479,465.00	3,481,014.92
Amortisation of intangible assets	145,967.81	161,651.58
Amortisation of long-term prepaid expenses	28,836.28	2,344.24
Loss on disposal of fixed assets		31,132.31
Finance cost	-13,395,577.17	2,879,096.97
Loss on investments	1,479,212.18	3,699,482.54
Decrease in inventories	19,726,827.99	8,856,867.60
Decrease in operating receivables	6,677,028.04	-29,376,062.76
Increase in operating payables	-27,146,963.76	21,780,089.59
Others		
Net cash flows from operating activities	-6,327,068.82	-1,726,597.49
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		
Net changes in cash and cash equivalents		
Ending balance of cash	77,410,995.53	91,690,265.56
Less: Beginning balance of cash	99,371,121.05	513,258,307.19
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-21,960,125.52	-421,568,041.63

3. *Composition of cash and cash equivalents*

Item	Ending balance	Beginning balance
Cash	77,410,995.53	99,371,121.05
Including: Cash on hand	271.51	1,170.04
Bank deposits available for use on demand	77,410,724.02	99,369,951.01
Other cash at bank and on hand for use on demand		
Cash equivalents		
Including: bond investments due within three months		
Cash and cash equivalents at the end of the period	77,410,995.53	99,371,121.05
Including: cash and cash equivalents of the Parent Company or its subsidiaries subject to restrictions on use		

XVIII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 29 August 2019.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

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

XIX. 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	Amount	Details
Gain or loss on disposal of non-current assets	-201,358.22	
Tax relief and reduction with approval exceeding authority or without formal approval		
Government grants included in current profit or loss (Other than government grants closely related to corporate business, fixed or quantitatively enjoyed according to national uniform standards)	48,182,634.25	
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	9,700,821.37	
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 staff resettlement expenses, integration costs, etc.		
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Profit or loss from other contingencies which are not related to the Company's normal operations		
Gain or loss on changes in fair value of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading and derivative financial liabilities, and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are closely related to the Company's normal operation	56,656,571.28	
Reversal of the provision for impairment of receivables and contract assets 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		
Other non-operating income and expenses apart from the aforesaid items	1,248,257,188.46	Net income of relocation compensation of RMB1.248 billion
Other gain or loss items meeting the definition of non-recurring gains or losses		
Sub-total	1,362,595,857.14	
Effect of income tax	-193,172,625.20	
Effect of minority interests	-356,764,518.18	
Total	812,658,713.76	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 30 June 2019

(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 nonrecurring gain or loss items designated by the Company as recurring items based on the natures and features of its operation:

Items defined as recurring gains or losses

Item	Amount	Reason
Finance interest discount	19,250,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Immediately refunded value-added tax for software revenue	825,936.79	Closely relating to operation, granted at fixed amount and on a continuous basis

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 – Non-recurring Gains and Losses.

(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 net assets, basic earnings per share and diluted earnings per share of the Group for the period were as follows:

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Parent Company	3.93	0.2764	0.2764
Net profit attributable to shareholders of the Parent Company, net of non-recurring gains and losses	-4.25	-0.2985	-0.2985

CSSC Offshore & Marine Engineering (Group) Company Limited

29 August 2019