



中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

H Stock Code: 00317 A Stock Code: 600685

ANNUAL REPORT
2019

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- I** The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant that there are no false statements, misleading information or material omissions in this annual report and are jointly and severally responsible for the truthfulness, accuracy and completeness of the contents of this annual report.
- II** All Directors of the Company attended the 26th meeting of the ninth session of the Board held on 27 March 2020, of which Mr. Xiang Huiming, executive Director, appointed Mr. Sheng Jigang, executive Director, to attend and vote on his behalf; Mr. Chen Ji, executive Director, appointed Mr. Chen Zhongqian, executive Director, to attend and vote on his behalf; Mr. Shi Jun, non-executive Director, appointed Mr. Chen Liping, executive Director, to attend and vote on his behalf; Mr. Liu Renhuai, independent non-executive Director, appointed Mr. Yu Shiyong, independent non-executive Director, to attend and vote on his behalf. The annual report for 2019 was unanimously approved at the meeting.
- III** WUYIGE Certified Public Accountants LLP has issued standard auditors' report without qualifying opinions for the Company.
- IV** Han Guangde, the person in charge of the Company, Hou Zengquan, the person in charge of accounting, and Xie Weihong, the head of accounting department (accountant in charge), have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this annual report.
- V** Profit distribution proposal or proposal for capitalisation of capital reserves of the Company for the Reporting Period considered by the Board
- The Company will not make profit distribution or issue new bonus shares by capitalisation of capital reserve for 2019. Please refer to Section V of this report. The profit distribution proposal is subject to the approval at the 2019 annual general meeting.
- VI** This annual report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.
- VII** No controlling shareholder or related party of the Company has misappropriated funds of the Company and no guarantee has been provided for by the Company in violation of the required decision-making procedures.
- VIII** This annual report is prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

SECTION I DEFINITIONS AND IMPORTANT RISK WARNINGS

I DEFINITIONS

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

Definitions of frequently used terms

DWT (deadweight tonnage)	deadweight capacity with tonne 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 International	CSSC International Holding Company Limited, an overseas wholly-owned subsidiary of China State Shipbuilding Corporation Limited
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution wholly-owned by China State Shipbuilding Corporation Limited
CSSC Holdings	China CSSC Holdings Limited, a listed company controlled by China State Shipbuilding Corporation Limited
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, a 54.5371%-owned subsidiary of the Company as at the end of the Reporting Period
GSI	Guangzhou Shipyard International Company Limited, a 73.7232%-owned subsidiary of the Company as at the end of the Reporting Period
Chengxi Yangzhou	CSSC Chengxi Yangzhou Shipbuilding Company Limited, a company owned as to 49% by the Company as at the end of the Reporting Period
Wenchong Shipyard	Guangzhou Wenchong Shipyard Co., Ltd, a wholly-owned subsidiary of Huangpu Wenchong
Wenchong Dockyard	Guangzhou Wenchong Dockyard Co., Ltd., a wholly-owned subsidiary of GSI
Zhongshan GSI	Zhongshan GSI Marine Engineering Company Limited, a wholly-owned subsidiary of GSI
United Steel	Guangzhou United Steel Structures Limited, a wholly-owned subsidiary of GSI
Wenchuan Heavy Industrial	Guangzhou Wenchuan Heavy Industrial Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong
CSSC Internet	CSSC Industrial Internet Co., Ltd.
WUYIGE	WUYIGE Certified Public Accountants LLP
ShineWing	ShineWing Certified Public Accountants LLP
Nanfeng Environment	Nanfeng Environment Co., Ltd, a 95%-owned subsidiary of GSI as at the end of the Reporting Period
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited

II IMPORTANT RISK WARNINGS

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

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

I 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 METHOD

	Secretary to the Board	Authorised Securities Representative
Name	Li Zhidong	Yu Wenbo
Contact address	15 th Floor, Ship Building, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China	15 th Floor, Ship Building, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China
Telephone	020-81636688	020-81636688
Fax	020-81896411	020-81896411
E-mail	lizd@comec.cssc.net.cn	yuwb@comec.cssc.net.cn

III GENERAL INFORMATION

Registered address of the Company	15 th Floor, Ship Building, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China
Postal code	510250
Office address of the Company	15 th Floor, Ship Building, No.137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China
Postal code	510250
Website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn

IV INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V INFORMATION ON THE COMPANY'S SHARES

Information on the Company's shares

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

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

VI OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	WuYiGe
	Office address	1504, Xueyuan International Tower No.1 Zhichun Road, Haidian District, Beijing, the PRC
Accounting firm engaged by the Company (overseas)	Names of signing accountant	Yang Xin, Xu Zongliang, Xiao Zuguang
	Name	WuYiGe
Accounting firm engaged by the Company (overseas)	Office address	1504, Xueyuan International Tower No.1 Zhichun Road, Haidian District, Beijing, the PRC
	Names of signing accountant	Yang Xin, Xu Zongliang, Xiao Zuguang
Financial advisor performing continuous monitoring and guidance duties during the Reporting Period	Name	None
	Office address	None
	Signing officers of financial advisors	None
	Period of continuous monitoring and guidance	None
Legal adviser appointed by the Company (domestic)	Name	ETR Law Firm
	Office address	29/F, CTF Finance Centre (Guangzhou East Tower), 6 Zhujiang Road East, Zhujiang New Town, Guangzhou
Legal adviser appointed by the Company (Hong Kong)	Name	Herbert Smith Freehills
	Office address	23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share registrar and transfer office	A Shares	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
	H Shares	Hong Kong Registrars Limited
	Office address	17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

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

(i) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2019	2018	Change compared to same period last year (%)	2017
Operating income	21,829,002,963.77	19,213,596,394.03	13.61	22,920,207,488.39
Net profit attributable to shareholders of the Company	548,320,338.54	-1,869,014,160.08	Not applicable	-50,507,587.08
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-1,017,092,770.26	-1,757,531,417.38	Not applicable	-1,036,245,149.98
Net cash flows from operating activities	3,735,554,000.96	-1,544,910,134.23	Not applicable	-811,263,061.73

Major accounting data	2019	2018	Change compared to same period last year (%)	2017
Net assets attributable to shareholders of the Company	10,148,256,838.77	9,727,437,689.21	4.33	10,809,092,281.78
Total assets	52,304,069,154.98	47,475,344,086.37	10.17	46,753,104,355.82

(ii) Key financial indicators

Key financial indicators	2019	2018	Change compared to same period last year (%)	2017
Basic earnings per share (RMB/share)	0.3879	-1.3223	Not applicable	-0.0357
Diluted earnings per share (RMB/share)	0.3879	-1.3223	Not applicable	-0.0357
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.7196	-1.2434	Not applicable	-0.7331
Weighted average return on equity (%)	5.49	-17.23	increase of 22.72 percentage points	-0.47
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-10.19	-16.64	increase of 6.45 percentage points	-9.97

VIII MAJOR FINANCIAL DATA FOR 2019 BY QUARTER

Unit: Yuan Currency: RMB

	First quarter (From January to March)	Second quarter (From April to June)	Third quarter (From July to September)	Fourth quarter (From October to December)
Operating income	2,495,197,903.00	5,320,887,416.68	5,002,535,189.46	9,010,382,454.63
Net profit attributable to shareholders of the Company	-208,674,332.21	599,424,662.13	-467,344,775.76	624,914,784.38
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	-359,529,918.99	-62,378,464.85	-149,717,548.90	-445,466,837.52
Net cash flows from operating activities	-2,894,631,213.88	-305,846,101.08	-1,101,257,881.59	8,037,289,197.51

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

IX EXTRAORDINARY ITEMS AND THEIR AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2019	Note (where applicable)	Amount for 2018	Amount for 2017
Gain or loss on disposal of non-current assets	-1,064,949.76		-4,393,192.94	-2,270,814.27
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature	-		-	-
Government grants included in current profit or loss, 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	112,821,078.94		83,710,709.80	144,268,243.87
Capital occupation fee received from non-financial entities included in current profit or loss	-		-	-
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures	-		-	-
Gain or loss on exchange of non-monetary assets	-		-	-
Gain or loss on entrusted investments or assets under management	13,745,972.01		36,316,916.16	64,625,451.49
Provision for impairment on assets due to force majeure events, such as natural disasters	-		-	-
Gain or loss on debt restructuring	-		-	-
Corporate restructuring costs, 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	-		-190,256,411.61	-138,304,178.37
Gain or loss on other contingencies which are not related to the Company's normal operations	-		-	-
Gain or loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation	/		/	11,450,439.60
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 investments, except for effective hedging transactions that are closely related to the Company's normal operation	-74,006,707.27		-604,509,137.37	/
Reversal of the provision for impairment of receivables which are tested individually for impairment	/		/	/
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment	-		/	/
Gain or loss on entrusted loans	352,777.77		-	-
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	2,286,549,777.59	Note	490,568,264.39	849,352,673.89
Other gain or loss items meeting the definition of non-recurring gains or losses	-		-	74,229,303.45
Effect of minority interests	-621,687,138.60		48,846,860.71	-688,182.25
Effect of income tax	-151,297,701.88		28,233,248.16	-16,925,374.51
Total	1,565,413,108.80	-	-111,482,742.70	985,737,562.90

Note: During the Reporting period, GSI recognised a net gain of RMB1.279 billion on land parcel storage and Wenchong Shipyard recognised a net gain of RMB999 million of compensation for phase I land parcel relocation.

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

X ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the period
1. Financial assets held-for-trading	11,685,155.01	48,785,784.80	37,100,629.79	-74,006,707.27
2. Financial liabilities held-for-trading	-431,894,056.78	-221,737,672.75	210,156,384.03	
3. Investments in other equity instruments	63,403,225.93	71,248,734.49	7,845,508.56	1,339,419.91
Total	-356,805,675.84	-101,703,153.46	255,102,522.38	-72,667,287.36

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

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

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. During of the Reporting Period, the Company has two major subsidiaries, namely GSI and Huangpu Wenchong, and their principal activities cover four major segments including defense equipment, offshore engineering, application and ship building and offshore service businesses, with principal products of shipbuilding and marine products including military ships, special supporting ships, public service ships, oil tankers, feeder container ships, ro-ro passenger ships, semi-submerged ships and polar module carriers, offshore platforms, as well as application products including steel structures and sets of electro-mechanical equipment and shipbuilding and offshore service products such as industrial internet platforms, intelligent manufacturing full-set solutions, intelligent shipbuilding module solutions. During the Reporting Period, the Group's principal activities have not been changed.

(ii) Business model

As a holding company, COMEC currently focuses on asset operation and investment management. Its subsidiaries conduct independent production and operation and are engaged in manufacturing and providing customers with high-quality products through research and development of ships, seeking orders and implementing customised order production. 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) Industry overview

The shipbuilding industry in which the Group operates is highly cyclical and is mainly subject to factors including the global economic and trading trend, cyclical fluctuation in the shipping market and international crude oil prices. For details of the shipbuilding industry during the Reporting Period, please refer to section IV of this report.

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

(iv) Production capacity

The production capacity of the Group is mainly reflected in the core shipbuilding business. The completed ships were mainly military ships, public service ships, small and medium sized oil tankers, ro-ro passenger ships, dredgers, feeder container ships and offshore engineering platform ships, and the Company's existing shipbuilding capacity had been effectively utilized. In 2019, the ship design capacity of the Group was 4,500,000 DWT, and the ship design capacity of the Group will be approximately 1,500,000 DWT in 2020, which is based on the fact that the design capacity of GSI is no longer included in the scope of consolidation of the Company.

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

(i) On 18 November 2019, the Company transferred its 60% equity interests in Nanfang Environment Co., Ltd. to GSI through the non-public agreement transfer method at a price of RMB47,831,683; on 30 December 2019, GSI acquired 35% equity interests of Nanfang Environment Co., Ltd. held by Guangzhou Guanggong Asset Management Co., Ltd. at a price of RMB27,901,815 through public delisting. As of the end of the Reporting Period, GSI held 95% equity interests of Nanfang Environment Co., Ltd.

(ii) During the Reporting Period, GSI and Huangpu Wenchong converted the state-owned exclusive capital reserve formed by state-owned funds held by CSSC into their respective registered capital. After such conversion, the registered capital of GSI increased from RMB8,556,970,805 to RMB8,870,144,624, and the registered capital of Huangpu Wenchong increased from RMB2,859,897,696 to RMB3,619,183,201. For details, please refer to the announcement on the Increase in Registered Capital and Equity Structure Adjustment of the Subsidiaries under CSSC dated 16 September 2019 published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

III ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

- (i) **Product advantage.** COMEC is a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment being maritime defense equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. It is in leading position in military ship, civil ship and offshore engineering business. By adhering to the principle of continuous innovation and quality first, the Group continued to expand and grow. Led by the government and with products with competitive strengths as a platform, the Group continued to improve and optimise ship models, improve product performance and better met the needs of customers. In addition, it extended product offering based on its products with competitive strengths to create product series in order to actively guide the market and deeply explore and meet customers' needs.
- (ii) **Technical advantage.** The Group has three national enterprise technical centres, a postdoctoral workstation, and a national measurement centre. The Company is a national high-tech enterprise, a national-level technology center, a Guangdong high-tech enterprise, a provincial-level enterprise technology center, and a provincial-level key engineering technology research center. It is also one of the most powerful ship product development and design centers in southern China. The Company has mastered and possesses core technology of independent intellectual property rights in high-tech, high-value-added ships and special ships such as product oil tankers, heavy-duty transport ships, ro-ro passenger ships and semi-submersible ships. The Group continued to invest in R&D, insisted on independent innovation, and overcome difficulties in frontier technologies. Through continuous research and development and independent innovations, the Group overcame difficulties in advanced technologies and conducted research and development of multiple types of new green, energy-saving and environment-friendly ships such as oil tanker, chemical cargo ship, ro-ro ship, ro-ro passenger ship, semi-submerged ship, pipe laying and lifting ship and large rescue ship.
- (iii) **Brand advantage.** In terms of military products, the Group is the most important production and support facility of military ships and special supporting ships of the PRC navy in southern China, the largest manufacturer of military auxiliary ships in the PRC, and an important public service ship manufacturer in the PRC. For civil products, the Group enjoys great reputation. GSI is known for manufacturing ships such as handy-size tankers, semi-submerged ships and ro-ro passenger ships, and has developed polar module carriers and polar condensate tankers based on its semi-submerged ships, which can sail through icy area by breaking ice. Huangpu Wenchong occupies a leading position in terms of multi-purpose deepwater survey ships, feeder containerships and dredgers. The Group's steel structure brand is well-known in the world. It has undertaken major projects including the "City of Dreams" project in Macau and the Hong Kong-Zhuhai-Macau Bridge and has established a good reputation in the industry.
- (iv) **Market advantage.** The Group's principal business and products have high market share in domestic and overseas markets, which has laid a solid foundation in the market. In particular, it occupies a leading position in the world in terms of tankers, semi-submerged ships, ro-ro passenger ships, feeder containerships and dredging engineering ships and a leading position in the PRC in terms of military ships, public service ships, over 1,000-tonne maritime police ship series and a new generation of large ocean rescue ships.

Such strengths have contributed to the sustainable development of the Company. In addition, against the background of accelerated industry upgrading in the shipbuilding industry and elimination of backward production capacity, the Company will focus on continuously developing core competitiveness including research and development capability and building technologies, explore new growth drivers, improve profitability and provide higher returns to shareholders.

SECTION IV REPORT OF THE BOARD

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis on the performance of the Group

During the year, under the circumstances of increasing competition in the ship market and a drop in the price of new ships, the Company actively made use of its advantages as a listed company to help the business development of the group entities, resolutely fulfilled the key responsibility relating to a strong army, closely followed up military orders, and strengthened the management of civilian products, maintained orders for marine and non-shipping businesses, and focused on improving production efficiency to contribute to the development of the Company with high quality.

1 The results of operational orders are remarkable, while profitability needs to be improved

In 2019, the Group realized operating income of RMB21.829 billion, of which RMB548 million was net profit attributable to the shareholders of the Company. The annual operational orders amounted to RMB31.946 billion, representing a year-on-year increase of 32.4%, of which orders for military products recorded a significant year-on-year increase and new breakthroughs were made in applied industries, with over RMB2 billion orders undertaken.

While operating results improved, group entities focused on strengthening production management and cost control, continuously streamlining production processes, and striving to shorten the shipbuilding cycle, which has achieved certain results. However, in general, the price of new ships has not substantially recovered, and labor and other costs remained high. Therefore, the Company's profitability needed to be further improved. Net loss attributable to the shareholders of the Company for 2019 after deduction of non-recurring gains and losses amounted to RMB-1.017 billion.

2 Carrying out major asset restructuring projects to promote high-quality development of the Company

During the Reporting Period, the Company sold 27.4214% equity interest of GSI to CSSC Holdings while at the same time waived the right of first refusal to acquire the 23.5786% equity of GSI and 30.9836% of Huangpu Wenchong which the Company's market-oriented debt-to-equity swap investors intended to transfer. The transfer benefits the Company's industrial structure adjustment, improves the Company's operating efficiency, reduces the Company's financial burden, improves its overall profitability and promotes high quality development.

3 Actively expanding business types and diversifying its application business

In 2019, while continuously improving the operating efficiency of its principle business, the Company actively expanded the application industry business. Through the synergies of production resources and product structure, it achieved good results in the steel structure business, mechanical and electrical business and environmental protection business, and further strengthened its market competitiveness.

II PRINCIPAL OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the Group completed 51 ships+3 platforms/2,150,400 DWT, and realized operating income of RMB21.829 billion, representing a year-on-year increase of 13.61%. The total profit was RMB0.991 billion, representing a year-on-year increase of RMB3.451 billion. Net profit attributable to the shareholders of the Company were RMB0.548 billion, representing a year-on-year increase of RMB2.417 billion.

(i) Analysis of principal business

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

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	21,829,002,963.77	19,213,596,394.03	13.61
Operating cost	20,959,294,954.13	19,262,469,746.28	8.81
Selling expenses	136,934,171.32	86,255,214.60	58.75
Administrative expenses	900,958,609.80	892,844,116.09	0.91
Research and development expenses	557,782,189.67	497,562,636.51	12.10
Finance cost	144,161,671.01	118,473,501.83	21.68
Other income	10,978,489.85	24,448,764.78	-55.10
Investment income	32,402,655.69	-123,820,055.10	Not applicable
Gain on change in fair value	-79,586,877.26	-423,444,863.37	Not applicable
Credit impairment loss	-16,832,835.84	-39,371,984.45	Not applicable
Loss on impairment of assets	-309,576,180.58	-677,141,653.24	Not applicable
Gain on disposal of assets	-78,454.75	-1,303,386.17	Not applicable
Non-operating income	2,294,399,430.83	553,503,531.77	314.52
Non-operating expenses	4,410,835.97	63,787,435.36	-93.09
Income tax expense	62,538,448.60	13,924,817.73	349.12
Net cash flows from operating activities	3,735,554,000.96	-1,544,910,134.23	Not applicable
Net cash flows from investing activities	-2,784,697,591.89	-1,792,361,694.28	Not applicable
Net cash flows from financing activities	1,191,037,144.89	180,100,901.84	561.32

Note: According to the requirements of the "Notice on the Revision and Issuance of the Format of Financial Statements of General Enterprises for 2019" (Cai Kuai [2019] No. 6) issued by the Ministry of Finance in April 2019, the losses from the items of "Credit impairment loss" and "Loss on impairment of assets" are marked with "-".

SECTION IV REPORT OF THE BOARD

2 Analysis of income and cost

The Group's operating income is mainly derived from shipbuilding products, offshore engineering products, ship maintenance and modification, steel structure engineering, electro-mechanical products and others. For details of the policies and methods for revenue recognition, please refer to the notes to financial statements.

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

Unit: Yuan Currency: RMB

Principal business by industry						
By industry	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Shipbuilding industry	21,581,588,577.17	20,791,601,441.28	3.66	13.57	8.57	Increase of 4.43 percentage points
Principal businesses by product						
By product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
(i) Shipbuilding products	16,480,667,808.06	16,217,877,959.85	1.59	9.33	6.62	Increase of 2.50 percentage points
1. Bulk carriers	580,491,099.01	556,833,606.51	4.08	-30.77	-30.64	Decrease of 0.18 percentage point
2. Oil tankers	4,619,845,280.11	5,001,816,567.33	-8.27	58.53	61.16	Decrease of 1.77 percentage points
3. Containerships	2,743,315,554.12	2,813,914,430.32	-2.57	40.83	51.07	Decrease of 6.96 percentage points
4. Special ships and others	8,537,015,874.82	7,845,313,355.69	8.10	-8.93	-16.91	Increase of 8.83 percentage points
(ii) Offshore engineering products	1,321,234,115.03	1,216,369,388.52	7.94	-7.72	-23.26	Increase of 18.65 percentage points
(iii) Ship maintenance and modification	1,042,288,419.71	859,722,405.80	17.52	14.80	8.56	Increase of 4.74 percentage points
(iv) Steel structure engineering	2,011,736,461.38	1,791,605,611.67	10.94	177.54	163.62	Increase of 4.70 percentage points
(v) Electro-mechanical products and others	725,661,772.99	706,026,075.44	2.71	-15.97	-19.92	Increase of 4.79 percentage points

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By region	Principal business by region					
	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
China (including Hong Kong, Macau and Taiwan)	13,280,308,241.32	12,287,244,136.23	7.48	17.17	8.55	Increase of 7.34 percentage points
Other regions in Asia	1,668,033,894.64	1,749,484,608.75	-4.88	160.79	181.84	Decrease of 7.83 percentage points
Europe	3,089,923,709.17	3,326,534,606.42	-7.66	-21.68	-20.72	Decrease of 1.29 percentage points
Oceania	983,088,477.79	999,832,979.60	-1.70	43.95	45.79	Decrease of 1.28 percentage points
North America	438,904,472.85	376,329,160.35	14.26	-67.53	-69.90	Increase of 6.75 percentage points
Africa	2,086,041,744.97	2,025,562,650.57	2.90	134.26	119.03	Increase of 6.75 percentage points
South America	35,288,036.43	26,613,239.36	24.58	-77.68	-82.54	Increase of 20.98 percentage points

Description of principal business by industry, by product and by region

During the Reporting Period, the Group's income from its principal business amounted to RMB21.582 billion, representing a year-on-year increase of 13.57%. Except offshore engineering, electro-mechanical products and others represented a year-on-year decrease of 7.72% and 15.97% respectively, shipbuilding, maintenance and modification on ships, and steel structure engineering represented a year-on-year increase of 9.33%, 14.8%, and 177.54% respectively. The gross profit of principal business amounted to RMB790 million, and gross profit margin amounted to 3.66%, representing a year-on-year increase of 4.43%. A year-on-year increase in gross profits was recorded in all businesses, among them, the gross profit margin of shipbuilding products increased by 2.5 percentage points, mainly contributed by special ships and others, while the gross profits of bulk carriers, oil tankers, and containerships have all decreased. The gross profit of offshore engineering products increased by 18.65 percentage points, mainly due to wind power platforms of relatively higher gross profit having achieved sales in the year; the gross profit of products of maintenance and modification on ships, steel structure engineering, electro-mechanical products and others increased by 4.74 percentage points, 4.7 percentage points, and 4.79 percentage points respectively.

As for the structure of products, the percentage of income from the marine business remained stable at above 80% in recent years. During the Reporting Period, the percentage of income from marine business slightly decreased compared with that of last year as the percentage of income from steel structure engineering increased. During the Reporting Period, the marine business contributed 82.49% of income, representing a year-on-year decrease of 4.38 percentage points, among them, shipbuilding contributed 76.36% of income, representing a year-on-year decrease of 2.96 percentage points; offshore engineering contributed 6.12% of income, representing a year-on-year decrease of 1.41 percentage point; and steel structure engineering contributed 9.32% of income, representing a year-on-year increase of 5.51 percentage points. The percentage of income from maintenance and modification on ships, electro-mechanical products and others remained substantially consistent with last year.

1) Shipbuilding business

Income from the shipbuilding business amounted to RMB16.481 billion, representing a year-on-year increase of 9.33%. The main reason for the year-on-year change in income was the commencement of new secured orders and the gradual elimination of the impact of relocation of the controlling subsidiary. The production and materials lines have gradually become balanced and the shipbuilding output has increased year-on-year.

2) Offshore engineering business

Income from the offshore engineering business amounted to RMB1.321 billion, representing a year-on-year decrease of 7.72%. The main reason for the year-on-year change in income was due to the consolidated effect that the offshore engineering product output has decreased substantially year-on-year as affected by the global offshore engineering equipment market, and the overall impact of some offshore engineering platforms, of which the income was recognized at a point in time, achieved an increase in income payment from delivery.

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3) Maintenance and modification on ships

Income from the business of maintenance and modification on ships amounted to RMB1.043 billion, representing a year-on-year increase of 14.80%, mainly due to the significant growth of the Group's scrubber business resulted from ship scrubber modification market's strong demand for ship scrubbers, and the record high achieved in military ship repair business by supplementing and improving the full life support model.

4) Steel structure engineering business

Income from steel structure engineering business amounted to RMB2.012 billion, representing a year-on-year increase of 177.54%. The main reason for the year-on-year change in income was the higher growth rate in output value with the full commencement of the Shenzhen-Zhongshan Channel project during the Reporting Period, and the gradual release of production capacity due to the gradual elimination of the impact of relocation of Yonglian Company (a subsidiary of GSI).

5) Electro-mechanical products and other business

Income from electro-mechanical products and other businesses amounted to RMB726 million, representing a year-on-year decrease of 15.97%, mainly because of the adjustments of product structure during the Reporting Period, and the decrease in sales of some electro-mechanical products such as shearing press resulted from market factors.

By geographic region, operating income from China (including Hong Kong, Macau and Taiwan) increased by 17.17% and operating income from overseas markets increased by 8.26% compared with last year. The Group will actively respond to adverse effects arising from the intensifying competition in the shipbuilding industry and the decrease in the price of new ships. The Company will make use of its own strengths, take active initiatives, resolutely perform the main responsibility of "improving military products", strictly follow the orders of military products, strengthen the operation and management of civil products, and vigorously develop domestic and overseas markets.

(2) Analysis of production and sales volume

Principal product	Unit	Production volume	Sales volume	Inventory volume	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory volume over last year (%)
Shipbuilding	Ten thousand of DWT	207.09	207.09	0	3.07	3.07	-
Offshore engineering	Ten thousand of DWT	7.95	7.95	0	220.56	220.56	-
Steel structure engineering	Ten thousand of DWT	12.5	12.5	0	100	100	-
Electromechanical products	-	-	-	-	-	-	-
Including: Decompression beds	Set	443	444	121	-24.79	-7.31	-
Elevators	Set	553	553	0	38.25	38.25	-

Description of production and sales volume

The completed tonnage of shipbuilding recorded a slightly year-on-year increase, mainly due to the recovery of shipbuilding during the Reporting Period, the number of ships increased by one compared with the same period of last year; the completed tonnage of offshore engineering recorded a significant year-on-year increase, mainly due to the larger completed tonnage of offshore engineering during the Reporting Period; the completed tonnage of steel structures recorded a significant year-on-year increase, mainly due to the start of delivery of the steel structure products of the Shenzhen-Zhongshan Channel during the Reporting Period; and the elevator products recorded a significant year-on-year increase, mainly due to the increase in production capacity after the relocation of the factory during the Reporting Period.

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(3) Cost analysis

Unit: RMB in ten thousand

By industry							
By industry	Components of cost	Amount for current period	Proportion of total cost for the period (%)	Amount for the corresponding period of last year	Proportion of total cost during the corresponding period of last year (%)	Change (%)	Description
Shipbuilding industry	Direct materials	1,400,268.94	67.35	1,209,363.10	63.15	15.79	
	Processing cost	719,501.28	34.60	735,522.66	38.41	-2.18	
	Impairment loss	-40,610.08	-1.95	-29,925.74	-1.56	35.70	Note 1
By product							
By product	Components of cost	Amount for current period	Proportion of total cost for the period (%)	Amount for the corresponding period of last year	Proportion of total cost during the corresponding period of last year (%)	Change (%)	Description
Shipbuilding products	Direct materials	1,144,532.48	55.05	981,354.33	51.25	16.63	
	Processing cost	512,246.93	24.64	562,687.43	29.38	-8.96	
	Impairment loss	-34,991.62	-1.68	-22,908.57	-1.20	52.74	Note 1
Offshore engineering products	Direct materials	82,251.80	3.96	113,506.95	5.93	-27.54	
	Processing cost	44,702.86	2.15	51,763.24	2.70	-13.64	
	Impairment loss	-5,317.72	-0.26	-6,762.43	-0.35	-21.36	
Ship maintenance and modification	Direct materials	19,773.61	0.95	18,880.52	0.99	4.73	
	Processing cost	66,198.63	3.18	60,314.51	3.15	9.76	
	Impairment loss	-	-	-	-	-	
Steel structure engineering	Direct materials	122,427.74	5.89	40,202.98	2.10	204.52	Note 2
	Processing cost	57,033.57	2.74	27,759.40	1.45	105.46	Note 2
	Impairment loss	-300.74	-0.01	-	-	-	
Electro-mechanical products and others	Direct materials	31,283.31	1.50	55,418.32	2.89	-43.55	Note 3
	Processing cost	39,319.29	1.89	32,998.08	1.72	19.16	
	Impairment loss	-	-	-254.74	-0.01	-100.00	

Description

The table above set out the breakdown of cost of principal business of the Group by product. The analysis focuses on the cost of principal business only.

Note 1: "Impairment loss" was negative as the provision for impairment of inventories previously made was reversed to offset the cost of principal business upon recognition of gross profit when the contract performance progress under long-term performing contracts reaches 30% (for non-first made shipbuilding contracts) or 50% (for first-made shipbuilding contracts) during the Reporting Period. The reversal of provision for impairment of construction-in-progress was RMB406,100,800 during the Reporting Period, representing a year-on-year increase of RMB181,283,600, mainly due to the year-on-year increase in the provision made for loss-making shipbuilding contracts under construction for which the condition to revenue recognition has been met during the Reporting Period.

Note 2: During the Reporting Period, the direct material cost of steel structure engineering business segment incurred was RMB1,224,277,400, representing a year-on-year increase of 204.52%; processing cost incurred was RMB570,335,700, representing a year-on-year increase of 105.46%, mainly due to the facts that, on the one hand, the output value of this business segment during the Reporting Period increased significantly year-on-year, the income increased by 177.54% year-on-year, and the cost of materials consumed and processing cost increased accordingly; on the other hand, cost of materials consumed accounted for a large portion of cost during the Reporting Period as a result of the difference in product structure during the Reporting Period.

Note 3: During the Reporting Period, the direct materials of the electro-mechanical products and other business segments incurred was RMB312,833,100, representing a year-on-year decrease of 43.55%, mainly due to the decrease in sales of products in this segment during the Reporting Period, the income decreased by 15.97% year-on-year, the material consumption decreased accordingly, and the product structure of this segment in the Reporting Period was different from the same period of last year, and the processing cost of such products accounted for a relatively large portion during the Reporting Period.

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(4) Information on major customers and major suppliers

Sales to five largest customers amounted to RMB9,245,902,100, representing 42.84% of total annual sales, of which sales to related parties were RMB nil, representing 0% of total annual sales.

Procurement from five largest suppliers amounted to RMB3,775,620,700, representing 18.16% of total annual procurement cost, of which procurement from related parties was RMB3,208,976,800, representing 15.43% of total annual procurement cost.

Other explanations

The main raw materials of the ship products of the Company comprise materials and equipment, which are mainly procured through open tenders or competitive negotiations. Materials mainly comprise steel, pipes, paint, and cables, and equipment mainly comprise machinery-mounted equipment, ship-mounted equipment, electrical equipment, and outfitting equipment. The main raw materials procured overseas mainly comprise certain machinery-mounted equipment and outfitting equipment, which generally account for no more than 25% of total raw materials procured. During the year, the range of major raw materials price fluctuations against last year was no more than 30%.

3 Expenses

During the Reporting Period, the Group's total expenses amounted to RMB1.74 billion, representing an increase of 9.07% from last year, details of which are as follows:

Unit: RMB in ten thousand

Item	Current period	Corresponding period of last year	Change	Change (%)
Selling expenses	13,693.42	8,625.52	5,067.90	58.75
Administrative expenses	90,095.86	89,284.41	811.45	0.91
Research and development expenses	55,778.22	49,756.26	6,021.96	12.10
Finance cost	14,416.17	11,847.35	2,568.82	21.68

Description

- (1) Selling expenses amounted to RMB136,934,200, representing a year-on-year increase of 58.75%, mainly due to an increase in the provision for ship maintenance made as income increased during the Reporting Period, and a decrease in amount of warranty balance to be settled during the Reporting Period due to a decrease in the number of ships whose warranty period expired compared to the previous year;
- (2) Administrative expenses amounted to RMB900,958,600, representing a year-on-year increase of 0.91%, remained substantially consistent with last year;
- (3) Research and development expenses amounted to RMB557,782,200, representing a year-on-year increase of 12.10%, mainly due to an increase in development expenditure carried forward to R&D expenses during the Reporting Period;
- (4) Finance costs amounted to RMB144,161,700, representing a year-on-year increase of 21.68%, mainly due to the combination of increase in loan handling fees during the Reporting Period and the recognition of interest expenses on lease liabilities during the Reporting Period.

SECTION IV REPORT OF THE BOARD

4 Research and development expenses

(1) Breakdown of research and development expenses

	<i>Unit: RMB</i>
Research and development expense recorded as expenses during the period	652,325,376.11
Capitalised research and development expenses for current period	–
Total research and development expenses	652,325,376.11
Percentage of total research and development expenses over operating income (%)	2.99
Number of research and development staff	2,612
Number of research and development staff over total number of staff (%)	16.99
Percentage of capitalised research and development expenses (%)	–

Note: During the Reporting Period, the total research and development expenses of the Group, all being recorded as expenses, amounted to RMB652.3254 million, of which RMB557.7822 million was allocated to research and development and RMB94.5432 million was to offset the costs.

(2) Description

In 2019, the Group continued to promote the development and technical research of green, energy-saving and environmentally-friendly new ship types and high-tech and high-value-added ship types, strengthened product research and development, and continued to improve the level of science and technology. There were 116 invention patents authorized throughout the year. We carried out research and design in the fields of optimization and upgrading of MR tankers, medium-sized luxury liners, deep-sea aquaculture ships, ro-ro passenger ships, polar carriers and ice-breaking survey ships, followed various policies for supporting the development of the shipbuilding industry launched by the country, and focused on the promotion of certain projects including special scientific and technological project "Green Pearl River, Prosperous Pearl River", hydrogen fuel ship demonstration ship, and multifunctional intelligent unmanned yachts.

5 Cash Flows

During the Reporting Period, the increase in net cash and cash equivalent of the Group amounted to RMB2,147 million, representing a year-on-year increase of RMB5,244 million. Details of the composition of the cash flows from operating activities, investing activities and financing activities are as follows:

Unit: RMB in ten thousand

Item	Current period	Corresponding period of last year	Change	Change (%)
Net cash flows from operating activities	373,555.40	-154,491.01	528,046.41	Not applicable
Net cash flows from investing activities	-278,469.76	-179,236.17	-99,233.59	Not applicable
Net cash flows from financing activities	119,103.71	18,010.09	101,093.62	561.32

Description

- (1) Net cash flows from operating activities amounted to RMB3,736 million, representing a year-on-year increase of RMB5,280 million, and such positive cash flow from operating activities during the Reporting Period was mainly due to the significant increase in receivables from special ships and other products during the Reporting Period compared to the previous year;
- (2) Net cash flows from investing activities amounted to RMB-2,785 million, representing a year-on-year decrease of RMB992 million, mainly due to the increase in the net amount of restricted funds deposited and released during the Reporting Period compared to the previous year;
- (3) Net cash flows from financing activities amounted to RMB1,191 million, representing a year-on-year increase of RMB1,011 million, mainly the increase in net external borrowings during the Reporting Period compared to the previous year.

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6 Others

Details of other items with significant changes in the composition or source of profit of the Group during the Reporting Period are as follows:

Unit: RMB in ten thousand

Item	Current period	Corresponding period of last year	Change	Change (%)
Other income	1,097.85	2,444.88	-1,347.03	-55.10
Investment income	3,240.27	-12,382.01	15,622.28	Not applicable
Gain on change in fair value	-7,958.69	-42,344.49	34,385.80	Not applicable
Credit impairment loss	-1,683.28	-3,937.20	2,253.92	Not applicable
Loss on impairment of assets	-30,957.62	-67,714.17	36,756.55	Not applicable
Gain on disposal of assets	-7.85	-130.34	122.49	Not applicable
Non-operating income	229,439.94	55,350.35	174,089.59	314.52
Non-operating expenses	441.08	6,378.74	-5,937.66	-93.09
Income tax expense	6,253.84	1,392.48	4,861.36	349.12

Note: According to the requirements of the "Notice on the Revision and Issuance of the Format of Financial Statements of General Enterprises for 2019" (Cai Kuai [2019] No. 6) issued by the Ministry of Finance in April 2019, the losses from the items of "Credit impairment loss" and "Loss on impairment of assets" are marked with "-".

Description:

- (1) Other income amounted to RMB10,978,500, representing a year-on-year decrease of 55.10%, mainly due to the decrease in government grants received under this item during the Reporting Period compared to the previous year;
- (2) Investment income amounted to RMB32,402,700, representing a year-on-year increase of RMB156,222,800, mainly due to the decrease in realized loss on financial derivatives during the Reporting Period compared to the previous year;
- (3) Gain on change in fair value amounted to RMB-79,586,900, representing a year-on-year increase of RMB343,858,000, mainly due to the substantial decrease in the unrealised loss on financial derivatives held as a result of exchange rate fluctuations during the Reporting Period compared to the previous year;
- (4) Credit impairment loss amounted to RMB-16,832,800, representing a year-on-year decrease of RMB22,539,200, mainly due to a decrease in the provision for bad debts during the Reporting Period compared to the previous year;
- (5) Loss on impairment of assets amounted to RMB-309,576,200, representing a year-on-year decrease of RMB367,565,500, mainly due to a decrease in the provision for inventory depreciation and the provision for impairment of contract performance costs for assets related to contract costs during the Reporting Period compared to the previous year.
- (6) Gain on disposal of assets amounted to RMB-78,500, representing a year-on-year increase of RMB1,224,900, mainly due to the decrease in the loss on disposal of fixed assets during the Reporting Period compared with last year;
- (7) Non-operating income amounted to RMB2,294,399,400, representing a year-on-year increase of RMB1,740,895,900, mainly due to the GSI's recognition of net income from compensation for relocation of land parcel in the amount of RMB1,279 million during the Reporting Period, Wenchong Shipyard's recognition of income from compensation for relocation of phase I land parcel in the amount of RMB999 million compared to GSI's recognition of land compensation in the amount of RMB538 million last year;
- (8) Non-operating expenses amounted to RMB4,410,800, representing a year-on-year decrease of RMB59,376,600, mainly due to the recognition of contractual loss in the amount of RMB57 million during the Reporting Period as a result of the settlement of the contract dispute of Huangpu Wenchong;
- (9) Income tax expenses amounted to RMB62,538,400, representing a year-on-year increase of RMB48,613,600, mainly due to the increase in deferred income tax expenses for the Reporting Period compared with last year.

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

- 1 On 26 April 2019, Wenchong Shipyard, a controlling subsidiary of the Company, and Guangzhou CSSC Wenchong Properties Co., Ltd. signed the Relocation Agreement of Wenchong Shipyard Phase I (for details, please refer to the announcement of CSSC Offshore & Marine Engineering (Group) Company Limited dated 26 April 2019 on the Signing of the Relocation Agreement of Wenchong Shipyard Phase I by a Controlling Subsidiary and Connected Transactions on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk)), pursuant to which Wenchong Shipyard recognised the income from compensation for production suspension induced losses and relocation compensation of RMB1,368 million during the Reporting Period, and net gain after deducting relocation cost amounted to RMB999 million, which contributed revenue from non-principal business of RMB999 million to the Company during the Reporting Period.
- 2 On 18 November 2019, GSI, a controlling subsidiary of the Company, and Guangzhou GS Shipping signed the Compensation Agreement for Acquisition and Storage of Parcel One of Liwan Plant in Guangzhou Shipyard International (for details, please refer to the announcements of the CSSC Offshore & Marine Engineering (Group) Company Limited dated 18 November 2019 in relation to the Compensation Agreement of the Purchase and Storage Lots by a Subsidiary and Connected Transactions on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange website (www.hkexnews.hk)), pursuant to which GSI recognised the income of RMB1.346 billion during the Reporting Period, and net gain after deducting related costs amounted to RMB1.279 billion, which contributed revenue from non-principal business of RMB1.279 billion to the Company during the Reporting Period.

(iii) Analysis of assets and liabilities

1 Assets and liabilities

Unit: RMB

Name of item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of 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	14,317,366,099.93	27.37	10,337,887,168.50	21.78	38.49	Product receipts increase during the year
Financial assets held for trading	48,785,784.80	0.09	11,685,155.01	0.02	317.50	The impact of change of exchange rates on the fair value of foreign exchange forward contracts
Notes receivable	633,564,863.60	1.21	130,810,712.06	0.28	384.34	Increase in bank acceptance bills that have not yet expired at the end of the year
Other receivables	1,822,048,699.16	3.48	326,086,350.28	0.69	458.76	Compensation receivables recognized by subsidiaries for land acquisition, storage and relocation totaling RMB1.399 billion during the year
Non-current assets due within one year	692,000,000.00	1.32	463,415,968.00	0.98	49.33	Combined effects of the increase in the long-term receivables due within one year and decrease in entrusted wealth management products
Long-term receivables	2,703,137,274.56	5.17	1,976,516,046.20	4.16	36.76	Increase in long-term receivables arising from the sale of products with financing nature in the form of deferral
Construction in progress	1,181,944,326.01	2.26	762,567,676.87	1.61	55.00	The impact of the increase in investment in fixed assets during the year

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Name of item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of 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
Right-of-use assets	149,351,363.01	0.29	-	-	N/A	The impact of the new standard on lease during the year
Short-term borrowings	6,147,082,148.56	11.75	4,304,387,255.88	9.07	42.81	New short-term borrowings during the year
Financial liabilities held for trading	221,737,672.75	0.42	431,894,056.78	0.91	-48.66	The impact of change of exchange rates on the fair value of foreign exchange forward contracts
Taxes payable	72,234,563.79	0.14	48,140,024.18	0.10	50.05	Increase in balance of Value-Added Tax payable and individual income tax as at the end of the year
Non-current liabilities due within one year	2,281,928,067.24	4.36	4,414,000,000.00	9.30	-48.30	Decrease in long-term borrowings due within one year
Other current liabilities	63,237,341.88	0.12	182,190,818.20	0.38	-65.29	Decrease in sales tax to be transferred and advances from customers for shipbuilding orders cancelled at the end of the year
Long term borrowings	6,049,757,000.00	11.57	4,339,619,500.00	9.14	39.41	New long-term borrowings during the year
Leased liabilities	110,198,081.37	0.21	-	-	N/A	The impact of the new standard on lease during the year
Deferred revenue	150,307,309.25	0.29	59,916,128.16	0.13	150.86	Increase in government grants to compensate for related costs or losses in subsequent periods at the end of the year
Special reserve	443,910.04	0.00	1,226,639.50	0.00	-63.81	Decrease in the balance of provision for production safety fee made at the end of the year

2 Major restricted assets at the end of the Reporting Period

As at the end of the Reporting Period, the Group had term deposits with maturity of over 3 months, monetary funds with restricted right-of-use such as letters of guarantees/letters of credits/deposit for forward exchange contracts amounting to RMB3,633,875,308.94 in total. Such restrictions will be lifted after the relevant contracts have been fulfilled.

(iv) Analysis of industry operation

- The macro-environment was challenging and the shipbuilding market was declining. In 2019, although the improvement of shipping fundamentals supported the overall upward trend of freight rates, due to the sluggish global economy, increased international trade and geopolitical risks, coupled with sulfur restrictions not yet fully released, shipowner remained relatively cautious about investment, and demand for new ships in the shipbuilding market shrank significantly. According to statistics of Clarkson Research Services Limited of the United Kingdom, from January to December 2019, the total number of orders of new ships during the year was 1,151 ships/64,402,000 DWT, representing a year-on-year decrease of 31.4%. China accounted for 28,133,000 DWT, or 43.7% of the total global volume. The global new ship completion and delivery volume was 98,392,000 DWT, representing a year-on-year increase of 22.8%, and China accounted for 36,585,000 DWT, or approximately 37.2% of the total global volume. As at the end of December 2019, global orders on hand totaled 186,371,000 DWT, representing a year-on-year decrease of 10.4%. China accounted for 83,965,000 DWT, or approximately 45.1% of the total global volume.

- 2 The new ship segment continued to be fragmented, and only the LPG ship market was relatively active. In terms of tankers, the total number of orders of new ships during the year was 191 ships/22,480,000 DWT, representing a year-on-year decrease of 17.0%. Specific orders include 31 VLCCs, 30 Suez tankers, 32 Aframax oil tankers, 13 LR2 refined oil tankers, 49 MR type product oil tankers and 36 small product oil tankers and chemical tankers over 10,000 tonnes. For bulk carriers, the total number of orders of new ships during the year was 249 ships/24,600,000 DWT, representing a year-on-year decrease of 44.7%. The specific orders included 58 Capesize vessels, 77 Panamax vessels, 69 large portable vessels, and 48 small portable vessels. In terms of container ships, the total number of orders of new ships during the year was 77 ships/8,150,000 DWT, representing a year-on-year decrease of 40.8%. The specific orders included 36 super Panamax container ships, 4 new Panamax container ships and 37 regional container ships. In contrast, the liquefied gas ship market continued its fierce demand. In 2019, 61 LNG ships and 57 LPG ships were sold globally, with a total volume of 7,100,000 DWT, representing a slight year-on-year decrease of 4.1%.
- 3 Competition in the market has intensified again, and the price of new ships has been under pressure. Since 2019, due to the lack of new ship orders, shipyards' orders on hand have shrunk, and industry competition has intensified. In addition, the fall in the price of marine steel plates has eased the pressure on shipbuilding costs, enabling the price of ships shifting from weak upwards to slight recovery. As of December, the Clarkson new ship price index was 129.8 points, down 1.2 point from the highest 131.0 points during the year; the new shipbuilding price China index was 1,115 points, down 15 points from the highest 1,130 points during the year. From the perspective of the main ship types, the China index of new shipbuilding prices for bulk carriers, oil tankers and container ships all rebounded, and reached 1,358 points, 1,200 points, and 856 points, respectively, in December, which were 15 points, 20 points, and 16 points lower than the peak during the year; in contrast, the new shipbuilding prices of liquefied gas ships were generally higher, and the China index in December was 1,387 points, which was still at a high level.
- 4 The offshore engineering equipment market was generally quiet, but production platforms remained active. Although the upstream market showed a recovery momentum, the situation of oversupply was not fundamentally reversed. The size of idle equipment and the size of shipyard inventory and equipment were still large, and the demand for new construction and modification of offshore equipment was seriously insufficient. In 2019, a total of 57 ships/sets of offshore engineering equipment were traded worldwide, with a total value of USD7.88 billion, which was basically the same as last year. This was also the fourth consecutive year since 2016 in which the turnover of global offshore engineering equipment was below USD10 billion. Especially in the drilling platform market, only one semi-submersible drilling order was delivered in 2019, which was an option for orders in 2018. In terms of offshore engineering ships, a total of 35 vessels were delivered with a total value of USD2.04 billion, representing a year-on-year decrease of 26%. The orders were mainly semi-submersible transport ships, offshore wind power construction operation and maintenance ships, and jack-up service platforms. There were no orders for platform supply vessels and three-purpose work vessels. The floating production platform has maintained an active trend since 2017, with a total of 21 ships/seats, totaling USD5.42 billion, representing a year-on-year increase of approximately 20%, which contained 11 FPSOs, totaling USD4.17 billion.

SECTION IV REPORT OF THE BOARD

Analysis of shipbuilding industry operation

1 Orders received by the Company during the Reporting Period

Ship transportation equipment manufacturing – three major shipbuilding indicators			
Item	Shipbuilding orders completed	New orders received	Orders on hand
2019	51 ships + 3 platforms/ 2,150,400 DWT	42 ships 1,035,000 DWT	137 ships + 5 platforms/ 5,153,600 DWT
2018	51 ships + 1 platform/ 2,034,000 DWT	69 ships + 2 platforms/ 2,933,600 DWT	146 ships + 8 platforms/ 5,743,000 DWT

2 Ships with high added-values

Item	Current year	
	Percentage of total income of the Company	Percentage of profit of the Company
Ships with high added-values	37.56%	Not applicable

3 Profit during the Reporting Period

Unit: Ten thousand Currency: RMB

Item	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
(i) Shipbuilding products	1,648,066.78	1,621,787.80	1.59	9.33	6.62	2.50
1. Bulk carriers	58,049.11	55,683.36	4.08	-30.77	-30.64	-0.18
2. Oil tankers	461,984.53	500,181.66	-8.27	58.53	61.16	-1.77
3. Containerships	274,331.56	281,391.44	-2.57	40.83	51.07	-6.96
4. Special ships and others	853,701.59	784,531.34	8.10	-8.93	-16.91	8.83
(ii) Offshore engineering products	132,123.41	121,636.94	7.94	-7.72	-23.26	18.65
(iii) Ship maintenance and modification	104,228.84	85,972.24	17.52	14.80	8.56	4.74
(iv) Steel structure engineering	201,173.65	179,160.56	10.94	177.54	163.62	4.70
(v) Electro-mechanical products and others	72,566.18	70,602.61	2.71	-15.97	-19.92	4.79
Total	2,158,158.86	2,079,160.14	3.66	13.57	8.57	4.43

Description

The table above set out the breakdown of cost of principal business of the Group by product. The analysis focuses on the income and cost of principal business only.

SECTION IV REPORT OF THE BOARD

- 4 *Information on business contributing more than 10% income of principal business of the Company during the Reporting Period*

Item	Completed shipbuilding	
	Production volume	Sales volume
Shipbuilding (including offshore engineering)	51 ships+3 platforms/ 2,150,400 DWT	51 ships+3 platforms/ 2,150,400 DWT

- 5 *Information on maintenance and modification during the Reporting Period*

Item	Ship transportation equipment manufacturing	
	Number of ships repaired	Repair cycle
Tankers	47 ships	36 days
Carriers	38 ships	25 days
Container ships	35 ships	26 days
Ocean ships	15 ships	27 days
Scrubber Modification project	9 ships	57 days
Dredgers	8 ships	75 days
HKy Macule ships	3 ships	36 days
Modified ships	3 ships	145 days
Marine Police ships	2 ships	53 days
LPG ships	2 ships	21 days
Other ships (including barges, cranes ships, rescue enforcement ships, etc.)	79 ships	27 days

According to the relevant requirements of classification societies, for ship maintenance, dock inspection is usually conducted in the second or third year, and two dock inspections must be conducted within five years, with an interval of no more than 24 months. Such requirement also applies to the period from the sixth to tenth year, so-called minor overhaul in the ship maintenance industry. For bulk carriers, containership and oil tankers, an overhaul is generally required after 15 years. Certain classification societies also require these ships to undergo dock inspection each year. However, each classification society has different requirements. Save for the mandatory maintenance above, whether a ship needs maintenance is irrelevant to the age of ships and mainly depends on the operation status of ships and the intention of their owners.

SECTION IV REPORT OF THE BOARD

(v) Analysis of investments

1 General analysis of external equity investments

The Company is an investment holding company, and details of its external investments are set out in the notes to the financial statements. As at the end of the Reporting Period, the balance of the long-term equity investments of the Group was RMB753,695,000, comprising mainly investments in joint ventures and associates and representing an increase of 1.72% from the beginning of the year.

(1) Significant equity investment

- 1) Guangzhou Wencheng Shipbuilding Co., Ltd. is wholly owned by GSI and established on 12 September 2019, with a registered capital of RMB100 million (from self-raised funds) and its registered place is located in Nansha District, Guangzhou, Guangdong. Its business scope is mainly manufacturing of railways, ships, aerospace and other transportation equipment.
- 2) On 18 November 2019, the Company transferred 60% equity interests in Nanfang Environment to GSI through the non-public agreement transfer method at a price of RMB47,831,683; on 30 December, GSI purchased 35% equity interests of Nanfang Environment held by Guangzhou Guanggong Asset Management Co., Ltd. through the property right exchange market at a price of RMB27,901,815. As of the end of the Reporting Period, GSI held a total of 95% equity interests in Nanfang Environment.

(2) Financial assets measured at fair value

During the Reporting Period, the Group's financial assets measured at fair value included financial assets held-for-trading and financial liabilities held-for-trading such as forward exchange contracts, foreign exchange swaps and foreign exchange option trading portfolio contracts, as well as investments in other equity instruments. In particular, for financial assets held-for-trading and financial liabilities held-for-trading, at measurement date, the public quotations from 3 banks before adjustment were obtained. According to prudence principle, one quotation is chosen to be input value. The debt rate published by the PBOC is chosen to be discount rate (please refer to the notes to the financial statements for details). For investments in other equity instruments, the shares held in listed companies were measured at their closing market prices, and those without public market quotations were measured using valuation techniques. The breakdown of items measured at fair value during the Reporting Period is as follows:

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the period
1. Financial assets held-for-trading	11,685,155.01	48,785,784.80	37,100,629.79	-74,006,707.27
2. Financial liabilities held-for-trading	-431,894,056.78	-221,737,672.75	210,156,384.03	
3. Investments in other equity instruments	63,403,225.93	71,248,734.49	7,845,508.56	1,339,419.91
Total	-356,805,675.84	-101,703,153.46	255,102,522.38	-72,667,287.36

SECTION IV REPORT OF THE BOARD

Explanation:

- 1) The Group appreciates the research of exchange risk management policies and strategies, and generally enters into forward exchange contracts (forward exchange settlement), foreign exchange swaps and foreign exchange options trading portfolio contracts with banks to prevent exchange rate risks. As at the end of the Reporting Period, the Group had a total of 121 outstanding forward settlement foreign exchange contracts with total amount of US\$816.30 million and latest settlement date of 12 July 2022, and recognised gains on change in fair value of RMB-104,678,000 as at the end of the year; the Group had a total of 16 outstanding US dollar-to-Euro forward exchange contracts with total amount of EUR€281 million and the settlement date extending to 29 June 2023, and recognised gain on change in fair value of RMB29,112,700 as at the end of the year; the Group had a total of 95 outstanding option portfolios with an amount of US\$730 million and the settlement date extending to 15 November 2021, and recognised gain on change of fair value of RMB-97,386,600 as at the end of the year.
- 2) As at the end of the Reporting Period, the book cost of other equity instruments was RMB38,331,600 and their fair value as at the end of the period was RMB71,248,700, representing an increase of RMB7,845,500 from the beginning of the year.

During the Reporting Period, the Group held financial assets measured at fair value, and their impact on profit for the period (including gain or loss on change of fair value and investment income) amounted to RMB-72,667,300.

(vi) Major asset and equity sale

The Company considered and approved the resolutions in relation to the significant asset disposal and connected transaction at the 13th meeting of the ninth session of the board of directors (the "Board") held on 4 April 2019, the 16th meeting of the ninth session of the Board held on 7 August 2019, the 19th meeting of the ninth session of the Board held on 16 September 2019 and the first extraordinary general meeting of 2019 held on 23 October 2019, which approved the matters relating to the disposal of 27.4214% of the equity interests in GSI by CSSC Holdings where CSSC Holdings shall pay the transfer consideration by way of non-public issuance of its A shares to the Company, while the Company shall waive its right of first refusal to acquire 23.5786% of the equity in GSI and 30.9836% of the equity in Huangpu Wenchong. As at 31 March 2020, the implementation of the significant asset disposal and connected transaction of the Company was completed. After the Company has transferred and registered 27.4214% of equity interests in GSI, its original controlling subsidiary was registered under the name of CSSC Holdings. Currently, the Company only holds 46.3018% of equity in GSI. CSSC Holdings has issued 217,494,916 shares of CSSC Holdings to the Company in order to pay for the transfer consideration of the above 27.4214% equity interests held by the Company.

For details, please refer to announcements dated 4 April 2019, 9 May 2019, 7 August 2019, 16 September 2019, 24 March 2020 and 30 March 2020 published by the Company on the website of the Shanghai Stock Exchange (www.see.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn).

(vii) Analysis of major subsidiaries and associates

1 Analysis of direct subsidiaries and associates

Unit: Ten thousand Currency: RMB

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the period
Guangzhou Shipyard International Company Limited	Technical design, manufacture, repair of ships, electrical machinery, general machinery, steel structure	887,014.46	73.72	2,317,217.39	731,943.43	17,710.40
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	361,918.32	54.54	2,437,283.48	643,733.63	37,616.47
CSSC Chengxi Yangzhou Shipbuilding Company Limited	Manufacturing of ships, ship equipment, metal structures and electric motors	130,284	49	150,983.48	130,796.94	73.83

Description

On 19 March 2020, the transfer of 27.4214% equity interest of GSI was completed and the Company held 46.3018% of its equity interest, and therefore, GSI was no longer a controlled subsidiary of the Company.

SECTION IV REPORT OF THE BOARD

2 Indirect subsidiaries

Unit: Ten thousand Currency: RMB

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the period
Guangzhou Wenchong Shipyard Co., Ltd	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	142,017.85	100	520,754.82	226,647.97	73,807.59
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	96,149.67	-19,257.13	-13,594.72
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	11,000	100	116,814.37	12,740.45	1,751.46
Guangdong Wenchuan Yuansheng Construction Co., Ltd. (廣東文船遠晟建築工程有限公司)	Manufacturing of common equipment	3,005	100	99	99	
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	80.5	543.06	471.44	82.37
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	1,134.99	405.11	52.25
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	805.04	633.13	99.80
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	1,245.77	377.80	68.14
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	200.87	154.23	-92.84
Wah Loong International Marine Limited	Ship leasing	HK\$1 million	99	47,904.94	3,109.37	2,107.75
Wah Shun International Marine Limited	Ship leasing	HK\$1 million	99	17,789.42	318.78	174.49
CSSC Industrial Internet Co., Ltd.	Information transmission, software and information technology services	5,000	100	1,877.59	1,056.47	78.90
Guangzhou Wenchong Dockyard Co., Ltd.	Ship repair; metal shipbuilding; ship outfitting manufacture and installation; ship conversion and removal.	164,384.10	100	246,453.17	-9,062.51	-8,766.33
Guangzhou Wenchong Ship Building and Repair Co., Ltd (廣州文冲船修造有限公司)	Ship repair; metal shipbuilding; ship outfitting manufacture and installation; ship conversion and removal.	10,000	100	1,003.33	1,000.00	-
Guangdong GSI Elevator Co., Ltd.	Production and sale of elevators	11,000	100	10,080.24	4,897.25	-1,563.43
Zhongshan GSI Marine Engineering Company Limited	Designing, processing, installing, manufacturing and selling: ships and auxiliaries (fishing use excluded), metal structures and components general machines, cast and forged components, fiberglass, marine cables, marine pipelines, marine tools, furniture, mechanical equipment, and marine engineering equipment, import and export of goods and technology.	70,000	100	115,782.80	42,676.44	2,300.93
Guangzhou Guangji Shipbuilding Human Resources Service Company Limited	Providing labor services, as well as installation, welding, derusting, and painting of ships	500	100	4,304.30	180.74	-227.74
Guangzhou Hongfian Technology Co., Ltd.	Development of computer software, system integration, and hardware sales, etc.	500	51	5,483.93	4,249.92	498.39
Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd. (廣州廣船海洋工程裝備有限公司)	Designing, processing, installing and selling: auxiliary machines of ships, large-scale complete-set mechanic and electrical equipment, wind power generation equipment, shearing press, shield machine, hydraulic machinery, injection molding machine, and metal structure	28,861	100	79,183.19	21,511.70	-205.82

SECTION IV REPORT OF THE BOARD

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the period
Guangzhou United Steel Structures Limited	Large steel structures	US\$8.85 million	100	63,318.25	10,467.32	-1,919.06
Glory Group Development Limited	Trading	HK\$30 million	100	14,484.49	10,001.66	376.05
Forkwang Development Limited	General trading	HK\$200,000	80	12,471.38	6,034.41	10.51
Eastwell Engineering Limited	Large steel structures	HK\$8.55 million	100	1,989.99	489.91	-74.17
Guangzhou Hongfian Hotel Co., Ltd.	Tourism and catering	11,940	100	13,878.80	12,242.61	100.06
Guangzhou Longxue Pipe Co., Ltd.	Black metal refining and rolling industry	7,000	42.86	13,754.58	5,949.33	247.05

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

Unit: Ten thousand Currency: RMB

Name of entity	Income from principal business	Profit from principal business	Net profit
CSSC Huangpu Wenchong Shipbuilding Company Limited	1,224,719.77	79,675.89	37,616.47
Guangzhou Shipyard International Company Limited	740,992.17	-20,501.45	17,710.40
Guangzhou Wenchong Shipyard Company Limited	251,525.60	-568.01	73,807.59
Guangzhou Huangchuan Ocean Engineering Company Limited	130,248.73	-6,016.54	-13,594.72

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

Unit: Ten thousand Currency: RMB

	Current period	Net profit for corresponding period of last year	Change (%)
Guangzhou Wenchong Shipyard Company Limited	73,807.59	112.37	65,584.11
CSSC Huangpu Wenchong Shipbuilding Company Limited	37,616.47	-106,301.12	Not applicable
Guangzhou Shipyard International Company Limited	17,710.40	-105,732.93	Not applicable

Description:

- (1) During the Reporting Period, the net profit of Wenchong Shipyard increased by RMB737 million compared with the same period of last year, and the major reason for the significant change in operating results was the net gain of RMB990 million for the relocation compensation of the relocation of the first phase of plot during the Reporting Period.
- (2) During the Reporting Period, the net profit of Huangpu Wenchong increased by RMB1.439 billion compared with the same period of last year, and the major reason for the significant change in operating results was that during the Reporting Period, the Company paid close attention to production technology preparation, production process control and improved shipbuilding modeling management, resulting in a year-on-year increase in comprehensive gross profit of RMB958 million and a decrease of RMB435 million in asset impairment losses.
- (3) During the Reporting Period, the net profit of GSI increased by RMB1.234 billion compared with the same period of last year, and the major reason for the significant change in operating results was that the Company actively carried out the work of management promotion and efficiency reduction during the Reporting Period, resulting in a loss of RMB404 million in operating profit, and the net income of confirmed land compensation increased by RMB741 million compared with the same period of last year.

SECTION IV REPORT OF THE BOARD

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

(i) Industry landscape and trends

- 1 Challenges and opportunities will continue to exist, and the shipbuilding market is expected to recover. In 2020, under the macro circumstance of continuously complex international situations and increasing downward pressure on the domestic economy, the international shipping market is expected to maintain a mid-to-low growth rate, and the implementation of sulfur restriction order will accelerate the obsolescence of vessels with outdated capacity. It is expected that the demand for new ships in the international shipbuilding market will recover from its low level, and the annual turnover will increase to approximately 75,000,000 DWT. From the perspective of transaction structure, in respect of bulk carrier, the market of Newcastlemax and andysize carrier will still be in demand; in respect of crude oil ship, the demand for VLCC and Suezmax will increase, and the product oil tanker market and chemical tanker market will recover to a certain extent; in respect of container ship, the polarization of orders by ship types will continue; in respect of liquefied gas vessel, the bulk orders of LNG carrier are expected to be released continuously, and the LPG carrier market will hold firm.
- 2 The competition between the three main shipbuilding countries, namely China, Japan and Korea will intensify. In China, the competition with shipbuilding enterprises from Japan and Korea in mid-to-high-end types of ships will be more intense and direct. In respect of bulk carrier, the Chinese market share will increase due to the decline in production volume in Japan. In Korea, on the one hand, the three major shipbuilding enterprises will continue to focus on orders of high value-added ship types including liquefied gas vessel, super-large container ship and VLCC; meanwhile, the Korean enterprises will continue to advance the industrial restructuring and strategic reorganization, on the other hand, the Korean government will continue to strengthen and intensify the policy support on shipbuilding industry through the issuance of “Strategy on Shipbuilding Industrial Development in Korea” (《韓國造船產業發展戰略》). In Japan, the Japanese government and enterprises have realized that the cooperation is the main way to stay competitive, and will further enhance cooperation between enterprises and industries in the future. It is expected that an increasing number of shipbuilding enterprises will cooperate with each other and form partnership with capital as the link and the government will provide financial support and encourage shipbuilding enterprises and upstream and downstream firms to enhance cooperation for the purpose of optimizing the industry chain.
- 3 National policy will provide new opportunities for development. In recent years, from the perspective of shipbuilding industrial development and regional development, the Chinese government has made various policies for guiding and adjusting Chinese shipbuilding industrial development, and improving the technological level of Chinese shipbuilding industry and international competition. In respect of industrial development planning, NDRC and Ministry of Commerce issued the “Special Management Measures for Foreign Investment Access (Negative List)” (《外商投資准入特別管理措施(負面清單)》) and the “Special Management Measures for Market Entry of Foreign Investment in Pilot Free Trade Zones (Negative List)” (《自由貿易試驗區外商投資准入特別管理措施(負面清單)》); in respect of regional development planning, the Central Committee of the Communist Party of China (“CCCPC”) and State Council published the “Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area” (《粵港澳大灣區發展規劃綱要》), providing development opportunities for the shipbuilding industry in innovation of integrated development of military and civilian, new marine industry, green energy development and modern cruise and yacht service.

(ii) Development strategies of the Company

The Group will earnestly study and understand the spirit and connotation of the 19th Session of National Congress of the Communist Party of China, carry out major strategic decisions of the CCCPC and State Council and resolutely implement the strategic plan of the CCCPC on promoting high-quality development including “Three Strategies for Strengthening the Nation, Two Strategies for Meeting the First-Class Standard ” (三個強國·兩個一流). Following Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and under the guidance planning for high quality development, the Group sets up the strategic goal of establishing the position of international leading comprehensive marine industrial developer and committing to becoming the global first class marine equipment enterprise with the integration of research and development, manufacturing and service.

In the face of the New Normal development of the ship market, the Group, by adhering to its corporate values of “innovation, efficiency and win-win cooperation”, will fully implement the major strategies of the Belt and Road Initiative, military-civilian integration, and building strong manufacturing power and marine power. With “optimising structure, deepening reform and innovative development” as the main theme, the Group will further strengthen its core activities, while vigorously developing emerging industries, accelerating transformation and upgrading to realize high-quality development.

(iii) Development on the joint restructuring of China State Shipbuilding Corporation Limited and China Shipbuilding Industry Corporation

As disclosed in the announcement of the Company dated 25 October 2019, on 25 October 2019, the Company received a letter from CSSC, stating that CSSC had received a “Notice regarding the restructuring of CSSC and CSIC” (Guo Zi Fa Ge [2019] No.100) (《關於中國船舶工業集團有限公司和中國船舶重工集團有限公司重組的通知》(國資改革(2019)100號) issued by the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) that the restructuring of CSSC and China Shipbuilding Industry Corporation (“CSIC”) has been implemented in October 2019. In October 2019, the SASAC has also issued the “Announcement regarding the approval of the restructuring of CSSC and CSIC” (《關於中國船舶工業集團有限公司和中國船舶重工集團有限公司聯合重組獲得批准的公告》). Upon approval by the SASAC, it was agreed that CSSC will perform joint restructuring with CSIC to newly set up China State Shipbuilding Corporation Limited* (中國船舶集團有限公司) (“China Shipbuilding Group”). The SASAC shall perform the duties of the contributor on behalf of the State Council, and CSSC and CSIC will be integrated into China Shipbuilding Group. In November 2019, China Shipbuilding Group was established and completed the registration formalities at the State Administration for Industry and Commerce of the PRC. As disclosed in the announcement of the Company dated 25 October 2019, upon the restructuring, the controlling shareholder and de facto controller of the Company will remain unchanged. On 8 November 2019, members of the boards of directors, supervisors and senior management of the China Shipbuilding Group were appointed and members of the boards of directors, supervisors and senior management of each of CSSC, CSIC and China Shipbuilding Group remained the same. The ultimate beneficial owner of China Shipbuilding Group is the SASAC as at the date of this report. As at the date of this report, the restructuring is still on-going and the transfer of shares of CSSC from the SASAC to China Shipbuilding Group and the transfer of shares of CSIC from the SASAC to China Shipbuilding Group have not been completed. As such, immediately after the restructuring, the China Shipbuilding Group will hold 100% of the issued shares of CSSC and 100% of the issued shares of CSIC, and CSSC will hold 59.97% of the issued shares of the Company. Hence, China Shipbuilding Group will become a substantial shareholder and a connected person of the Group and the transactions between the China Shipbuilding Group and the Group will become continuing connected transactions immediately after the restructuring.

(iv) Business plan

In 2019, the Group recorded an operating income of RMB21.829 billion, outperforming by 1.06% of the annual target; and secured orders with contract value of RMB31.946 billion, outperforming by 10.16% of the annual target.

In 2020, the Group plans to realize operating income of RMB11.823 billion and to secure orders with contract value of RMB13.92 billion, the reason for such significant difference between this target and the business plan in 2019 is the change of control in GSI, which will not be included in the scope of consolidation of the Company. The Group will actively adapt to new market trend and strengthen principal business operation; improve productivity and cost control; make more efforts on research and development of products to enhance the leading power of innovation, in order to achieve the 2020 business plan.

The business objectives above do not represent the profit forecast of the Company for 2020, nor do they constitute undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investment risks.

(v) 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 the aim of 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.

SECTION IV REPORT OF THE BOARD

2 *Customer risk*

As a result of global economy and shipping trade, certain shipowners 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 shipowners and project process management, increase shipowners' default cost and strengthen the early warning and monitoring of contractual performance. It will also develop innovative business models and assist shipowners in obtaining financing so as to successfully deliver ships to shipowners.

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 and the increase in the number of first-made ship models, the Group has a growing demand for advanced technicians and skilled workers, which may cause the cost of the Company to rise. In addition, the Group's cost is subject to the prices of raw materials due to its production on order basis, so that 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. The Company will protect itself from the burden of cost risk from the source of production by keeping materials cost under control, closely monitoring the price trends of its materials and making procurement arrangements in a timely manner.

(vi) *Others*

1 *Management contracts*

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2019.

2 *Environmental policies and performance*

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

3 *Compliance with laws and regulations*

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

4 *Relationship with stakeholders*

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

By order of the Board
Han Guangde
Chairman

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

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

In accordance with Article 215 of the "Articles of Association of CSSC Offshore & Marine Engineering (Group) Company Limited", the Company's profit distribution policy shall be:

1 Profit distribution principle

The Company shall implement a continuous and stable profit distribution policy and the profit distribution of the Company shall be made in accordance with the statutory sequence of distribution. It attaches importance to providing reasonable and stable investment returns for its shareholders and maintaining the Company's long-term and sustainable development. In principle, the Company shall distribute its distributable profit on a yearly basis and it can also declare interim dividends.

2 Ways of profit distribution

The Company may distribute its dividends by ways of cash, shares or a combination of both, with dividend distribution in cash taking priority. In distributing profits by means of shares, the Company should give due regard to the actual and reasonable factors such as growth and dilution to the net assets per share, etc. The distribution of profits shall not exceed the limit of cumulative distributable profits.

3 Conditions and proportion of dividend distribution

- (1) On the premise of satisfying the criteria for distribution of cash dividends, in principle, the Company shall distribute dividends in cash on a yearly basis. The Board can recommend to the Company to declare interim dividends based on the Company's profits and capital needs;
- (2) On the premise of satisfying the criteria for distribution of cash dividends, in principle, the Company shall distribute cash dividends based on a fixed proportion of distributable profits achieved in a year. The cumulative profit distribution in cash for the last three years shall not be less than 30% of the average distributable profit for the last three years;
- (3) The Company can use increased distribution of share dividends as an additional means for profit distribution, and the sum of cash dividends and share dividends shall not be less than 50% of the distributable profits for the year. In determining the specific amount for distributing profits by means of shares, the Company should give due regard to whether the total share capital after profit distribution by means of shares corresponds to the Company's current scale of operations and profit growth rate, and consider the impact on the debt financing cost of future loans, so to ensure that the profit distribution plan is in line with the overall interests and long-term interests of shareholders as a whole.
- (4) In principle, in distributing cash dividends, the Company shall at the same time satisfy the following criteria:
 - 1) The Company has made a profit for that year, and after compensating for losses in previous years and withdrawing reserves from the provident fund according to law, the cumulative undistributed profits shall be positive, and the earnings per share shall not be less than RMB0.05;
 - 2) Auditors issue a standard audit report opinion without qualifications for the Company's financial report for the year;
 - 3) The Company's asset-liability ratio shall not exceed 70%;
 - 4) The Company does not have material investment plan or material cash expenditures.

Material investment plan or material cash expenditures refer to: The Company intends to make external investment, acquire assets or purchase equipment in the following 12 months with a cumulative expenditure reaching or over 10% of its latest audited net assets of and exceeding RMB500,000,000;
- 5) If the Board does not propose to distribute profits in cash in the year when the Company is profitable, it shall state the reason why the profits are not distributed in its annual report for the year, and the use and plans of use in respect of the undistributed capital reserve. Independent directors shall express independent opinions on such non-distribution of profits and disclose their opinions to the public. If the Company does not propose to distribute profits in cash when it is profitable during the reporting period, it shall provide online voting platforms to its shareholders in addition to an on-site meeting when it holds general meetings.

SECTION V SIGNIFICANT EVENTS

During the Reporting Period, no adjustment was made to the Company's policies for distribution of profits for ordinary shares. The Company will actively implement the cash dividend policy and create reasonable return for investors.

As considered and passed at the 26th meeting of the ninth session of the Board, the proposal for profit distribution of the Company for 2019 is as follows: pursuant to requirements of the Articles of Association, in distributing cash dividends, the Company's asset-liability ratio shall not exceed 70%; and the aggregate undistributed profit in the consolidated statements shall be positive. The asset-liability ratio of the Company was 70.27% as at 31 December 2019. In addition, undistributed profits in the financial statements of the Company for 2019 amounted to RMB721,076,162.84 and undistributed profits in the consolidated financial statements amounted to RMB-1,605,393,084.53. Accordingly, the Company does not intend to declare any dividends for 2019. Meanwhile, the Company also would not convert capital reserve into share capital. This profit distribution proposal is subject to approval at the 2019 annual general meeting.

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

Unit: Yuan Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (inclusive of tax)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements during the year of distribution	Percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)
2019	0	0	0	0	548,320,338.54	0
2018	0	0	0	0	-1,869,014,160.08	0
2017	0	0	0	0	87,796,591.29	0

(iii) Profits are made during the Reporting Period and the Company's profits distributed to ordinary shareholders are positive. However, if the proposal on distribution of cash profit of ordinary shares is unavailable, the Company shall disclose in detail the causes thereof as well as the purpose and use plan of the undistributed profit

Cause of profits are made during the Reporting Period and the parent company's profits distributed to ordinary shareholders are positive but the proposal on distribution of cash profit of ordinary shares is unavailable

The purpose and use plan of the undistributed profit

Pursuant to requirements of the Articles of Association of the Company, in distributing cash dividends, the Company's asset-liability ratio shall not exceed 70%; and the aggregate undistributed profit in the consolidated statements shall be positive. The asset-liability ratio of the Company was 70.27% as at 31 December 2019. In addition, undistributed profits in the financial statements of the Company for 2019 amounted to RMB721,076,162.84 and undistributed profits in the consolidated financial statements amounted to RMB-1,605,393,084.53. Accordingly, the Company does not intend to declare any dividends for 2019. Meanwhile, the Company also would not convert capital reserve into share capital. This profit distribution proposal is subject to approval at the 2019 annual general meeting.

To mainly supplement the liquidity for the Company's production and operation

II FULFILLMENT OF UNDERTAKINGS

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

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner
Undertaking relating to the material asset reorganisation	Solving the defects on titles to lands	CSSC	Arrangements for supporting the relocation and upgrading of Huangpu Wenchong and Wenchong Shipyard. Pursuant to overall planning of Guangzhou Municipal Government, a land parcel of Huangpu Wenchong at Changzhou Street ("Changzhou Plant") and a land parcel located at Wenchong Plant owned by Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard"), a subsidiary of Huangpu Wenchong, are no longer suitable for industrial use in shipbuilding in accordance with the planning for the regions in which they are located, and will be recovered as reserve by Guangzhou Municipal Government. As such, in accordance with the relevant requirements for management of state-owned assets, these two parcels of land and buildings thereon will be transferred to Guangzhou Ship Industrial Co., Ltd. under CSSC for free. As for the transfer and subsequent matters, it was agreed as follows: 1. The transfer of land and buildings thereon was due to the adjustment to urban planning which caused these assets to be no longer suitable for incorporation into the Company. As such, in order to maintain normal production and operation of Huangpu Wenchong and Wenchong Shipyard, it was agreed that the land of Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, of which the ownership has been transferred to Guangzhou Ship Industrial Co., Ltd. under CSSC, will be leased to Huangpu Wenchong and Wenchong Shipyard for continued use, and the rent will be paid based on existing land amortisation, property depreciation and relevant taxes and expenses. In addition, CSSC will spare no efforts to facilitate Guangzhou Municipal Government in finalising the land for new plants and complete the relocation from Changzhou Plant and Wenchong Plant as soon as practicable. 2. Given there are certain granted land and properties without ownership certificates in Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, if such land or properties cannot 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.	Made on 31 October 2014	No	Yes
	Others	CSSC	1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to removal, transportation and installation of some of the assets to be demolished due to relocation shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard; 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, CSSC will make up the difference in cash within 90 days after relevant government compensation is in place.	Made on 3 March 2015	No	Yes
	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 7 August 2019	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
Solving the issues concerning competition in the same industry	CSSC		<p>*.....In light of the strategic restructuring of CSSC and CSIC, in order to facilitate the acceleration of market-oriented debt-to-equity swaps and the strategic restructuring of the shipping industry, it is planned to optimize and adjust the implementation steps of the original plan (the "Adjusted Plan") as follows:</p> <ol style="list-style-type: none"> Step 1: China State Shipbuilding proposed to acquire 100% equity interest of Jiangnan Shipbuilding held in aggregate by the 9 counterparties through share offering, namely CSSC Group, CSSC Investment, ICBC Investment, BOCOM Investment, National Civil-Military Integration Industry Investment Fund Co., Ltd., Guohua Junmin Fund, ABC Investment, Guoxin Jianxin Fund, Bank of China Investment, Dongfu Guochuang and Guofa Fund; proposed to acquire 36.2717% equity interest of Waigaoqiao Shipbuilding and 21.4598% equity interest of CSSC Chengxi held in aggregate by 9 counterparties through share offering, namely CSSC, Huarong Ruitong, New China Life Insurance, China Structural Reform Fund, CPIC Property Insurance, China Life, PICC, ICBC Investment, Dongfu Tianheng, through share offering; proposed to acquire 23.5786% equity interest of GSI and 30.9836% equity interest of Huangpu Wenchong held in aggregate by 9 counterparties through share offering, namely Huarong Ruitong, Zhongyuan Asset, New China Life Insurance, China Structural Reform Fund, CPIC Property Insurance, China Life, PICC, ICBC Investment and Dongfu Tianheng; proposed to acquire 27.4214% equity interest of GSI held by COMEC through share offering. (China Shipbuilding Issues Shares to Acquire Assets); Step 2: CSSC, with 100% equity interest in CSSC Marine Power, 51% equity interest in CSSC Marine Power Institute and 15 equity interest in CSSC Mitsui, and China Shipbuilding, with 100% equity interest in Eastern Shanghai Heavy Machinery, jointly established CSSC Marine Power Group ("Establishment of Power Platform"); Step 3: COMEC conducted asset replacement by virtue of 54.5371% equity interest in Huangpu Wenchong, 46.3018% equity interest in GSI and shareholding of CSSC Marine Power Group held by China State Shipbuilding Corporation and CSSC ("Asset Swaps"). <p>The three steps of the plan are not inter-conditional with each other. CSSC has made the following commitments on the Adjusted Plan:</p> <ol style="list-style-type: none"> CSSC promises to start Step 2 (that is, build a power platform) simultaneously when Step 1 (that is, CSSC Holdings issues shares to purchase assets and raise funds) is implemented; and also promises to start Step 3 within six months after the implementation of Steps 1 and 2 (that is, Asset Swaps), to eliminate the competition between CSSC Holdings and COMEC. If CSSC violates such commitments and prejudice the interests of CSSC Holdings and COMEC, CSSC agrees to take corresponding liability; CSSC guarantees that if such commitments are violated, CSSC is willing to bear the corresponding legal liabilities. 	Made on 12 September 2019	Yes	Yes
Settlement of connected transactions	CSSC		<ol style="list-style-type: none"> Upon completion of the restructuring, CSSC and enterprises under control of CSSC and listed companies and subordinates will minimize and avoid related party transactions. In conducting necessary and unavoidable connected transactions, it will ensure fair operation based on the principles of marketization and fair prices, and perform trading procedures and information disclosure obligations in accordance with relevant laws, regulations, rules and other normative documents and Articles of Association of COMEC, management system of connected transactions and other provisions. When voting on connected transactions at general meetings, it will abstain from voting. CSSC guarantees that it will not prejudice the legitimate rights and interests of listed companies and their shareholders through connected transactions. It will exercise the rights of shareholders in accordance with relevant laws and regulations such as the Company Law of the People's Republic of China and the Articles of Association of COMEC; CSSC undertakes not to harm the legitimate interests of listed company and other shareholders with its status as a shareholder of listed company. Once the letter of commitment is signed, it constitutes an effective, legal and binding commitment to CSSC. CSSC is willing to take full compensation for the economic losses caused to the listed company and its shareholders in violation of the above commitments. 	Made on 7 August 2019	No	Yes
Others	CSSC		<p>Upon completion of the restructuring, CSSC, as the controlling shareholder of COMEC, will continue to exercise the rights of shareholders in accordance with laws, regulations and the Articles of Association of COMEC. CSSC will not affect the independence of COMEC by virtue of its status as a controlling shareholder and will maintain the independence of COMEC in terms of assets, personnel, finance, business and institutions.</p>	Made on 7 August 2019	No	Yes

III ANALYSIS AND EXPLANATION OF THE COMPANY ON THE REASONS AND IMPACT OF THE CHANGE IN ACCOUNTING POLICY, ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS

(i) Analysis and explanation of the Company on the reasons and impact of the change in accounting policy and accounting estimates

1 New Lease Standards

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 standard from 1 January 2019. For contracts that existed before the first execution date, the Group selects not to reassess whether it is a lease or includes a lease. The Group adjusts the amount of other related items in the financial statements at the beginning of the year for the first execution based on the cumulative impact of the first execution, without adjusting the information for the comparable period.

The relevant accounting policies after adjustment are disclosed in the notes.

(1) Relevant accounting policies before the change

Leases of the Group include finance leases and operating leases.

The Group, as the lessee under the finance lease, on the start date of finance lease, according to the lower of the fair value of leasing assets on the start date of leasing and the present value of the minimum lease payments, to be the recorded value of leasing fixed assets. The minimum lease payment shall be the recorded value of the long-term payable, the difference between the two recorded as unrecognised finance expense.

The Group, as the lessee under operating lease, rental during the leasing term in each of the period, shall be included in the cost of related assets or profit or loss for the period using straight-line method.

(2) Impact of implementation of the revised new lease standard

Unit: Yuan Currency: RMB

Consolidated statement items	31 December 2018	Amount of impact	1 January 2019
Assets:	47,475,344,086.37	199,340,500.82	47,674,684,587.19
of which: right-of-use assets		199,340,500.82	199,340,500.82
Liabilities :	33,118,933,538.30	199,340,500.82	33,318,274,039.12
of which: lease liabilities		152,171,100.46	152,171,100.46
Non-current liabilities due within one year	4,414,000,000.0000	47,169,400.36	4,461,169,400.3600
Shareholders' equity:	14,356,410,548.07		14,356,410,548.07
of which: undistributed profits	-2,153,702,475.37		-2,153,702,475.37

The new lease standard has no impact on the financial statements of the Company.

SECTION V SIGNIFICANT EVENTS

2 Adjustments to the presentation

(1) The Ministry of Finance issued the Notice on the Revision and Issuance of the Format of Financial Statements of General Enterprises for 2019 (Cai Kuai [2019] No. 6) in April 2019, and issued the Notice on Revising and Issuing the Format of Consolidated Financial Statements (Version 2019) (Cai Kuai [2019] No. 16) in September 2019 (hereinafter collectively referred to as “financial statement format”), and enterprises implementing enterprise accounting standards shall prepare financial statements in accordance with the requirements of the enterprise accounting standards and the notice.

(2) *Impact of implementation of revised financial statement format*

In accordance with the requirements of the financial statement format, the Group split the “bills receivable and accounts receivable” into two items, “bills receivable” and “accounts receivable”, and split the “bills payable and accounts payable” into two items, “bill payables” and “account payables”. The Group retrospectively adjusted the statements of the comparative period retrospectively and this accounting policy change has no impact on the combination and the net profit of the Group and equity of shareholders.

The specific impact is as follows:

Unit: Yuan Currency: RMB

Statement items	31 December 2018	Adjustment	1 January 2019
Total assets	2,693,105,872.48		2,693,105,872.48
Of which: notes and accounts receivable	2,693,105,872.48	-2,693,105,872.48	
notes receivable		130,810,712.06	130,810,712.06
accounts receivable		2,562,295,160.42	2,562,295,160.42
Total liabilities	10,689,228,547.46		10,689,228,547.46
Of which: bills and accounts payable	10,689,228,547.46	-10,689,228,547.46	
bills payable		2,730,396,298.20	2,730,396,298.20
accounts payable		7,958,832,249.26	7,958,832,249.26

The implementation of the revised financial statement format has no impact on the financial statements of the Company.

3 Change in significant accounting estimates

During the year, no change in significant accounting estimates is required to be disclosed.

SECTION V SIGNIFICANT EVENTS

4 *Adjustment and implementation of the relevant items of the financial statements at the beginning of the year according to the new lease standards since 2019*

(i) *Consolidated Balance Sheet*

Unit: Yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash at bank and on hand	10,337,887,158.50	10,337,887,158.50	
Financial assets held-for-trading	11,685,155.01	11,685,155.01	
Notes receivable	130,810,712.06	130,810,712.06	
Accounts receivable	2,562,295,160.42	2,562,295,160.42	
Prepayments	3,020,857,780.23	3,020,857,780.23	
Other receivables	326,086,350.28	326,086,350.28	
Inventories	4,955,993,857.79	4,955,993,857.79	
Including: Raw materials	1,686,916,621.52	1,686,916,621.52	
Goods in stock			
(finished goods)	27,586,446.83	27,586,446.83	
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:			
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	
Right-of-use assets			199,340,500.82
Intangible assets	2,084,830,278.97	2,084,830,278.97	
Goodwill	144,231,195.67	144,231,195.67	
Long-term prepaid expenses	79,285,603.23	79,285,603.23	
Deferred income tax assets	440,083,496.90	440,083,496.90	
Other non-current assets	80,251,531.97	80,251,531.97	
Including: Permitted reserve materials	-	-	
Total non-current assets	18,440,163,025.75	18,639,503,526.57	199,340,500.82
Current liabilities:			
Short-term borrowings	4,304,387,255.88	4,304,387,255.88	
Financial liabilities held-for-trading	431,894,056.78	431,894,056.78	
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	
Employee benefits payable	41,351,166.51	41,351,166.51	
Taxes and fees payable	48,140,024.18	48,140,024.18	
Including: Taxes payable	47,752,010.05	47,752,010.05	
Other payables	336,922,424.57	336,922,424.57	
Non-current liabilities due within one year	4,414,000,000.00	4,461,169,400.36	47,169,400.36
Other current liabilities	182,190,818.20	182,190,818.20	
Total current liabilities	27,560,506,255.36	27,607,675,655.72	47,169,400.36

SECTION V SIGNIFICANT EVENTS

Item	31 December 2018	1 January 2019	Adjustment
Non-current liabilities:	–	–	
Long-term borrowings	4,339,619,500.00	4,339,619,500.00	
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	–	–	
Total non-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
Shareholders' interests			
Share capital	1,413,506,378.00	1,413,506,378.00	
State capital	–	–	
State-owned legal person capital	847,685,990.00	847,685,990.00	
Collective capital	–	–	
Private capital	319,690,081.00	319,690,081.00	
Foreign investment capital	246,130,307.00	246,130,307.00	
Less: Investment returned	–	–	
Net share capital	1,413,506,378.00	1,413,506,378.00	
Other equity instruments	–	–	
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	
Including: Difference in translation of foreign currency financial statements	-1,509,135.40	-1,509,135.40	
Special reserve	1,226,639.50	1,226,639.50	
Surplus reserve	962,441,825.31	962,441,825.31	
Including: Statutory reserve	942,521,055.08	942,521,055.08	
Discretionary reserve	19,920,770.23	19,920,770.23	
Undistributed profit	-2,153,702,475.37	-2,153,702,475.37	
Total equity attributable to owners 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 owners' equity	14,356,410,548.07	14,356,410,548.07	
Total liabilities and owners' equity	47,475,344,086.37	47,674,684,587.19	199,340,500.82

For details of the adjustments to the consolidated balance sheet, please refer to the notes to the financial statements.

SECTION V SIGNIFICANT EVENTS

(2) Balance Sheet of the Company

Unit: Yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash at bank and on hand	99,371,121.05	99,371,121.05	
Financial assets held-for-trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	46,428,670.20	46,428,670.20	
Prepayments	2,100,230.64	2,100,230.64	
Other receivables	9,520,031.06	9,520,031.06	
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	
Non-current assets:			
Debt 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			
Right-of-use assets			
Intangible assets	10,468,726.74	10,468,726.74	
Development expenses			
Goodwill			
Long-term prepaid expenses			
Deferred income tax assets	20,000,000.00	20,000,000.00	
Other non-current assets	633,860,105.78	633,860,105.78	
Including: Permitted reserve materials			-
Total non-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	
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 and fees payable	3,217,292.29	3,217,292.29	
Including: Taxes payable	3,217,292.29	3,217,292.29	
Other payables	41,994,848.71	41,994,848.71	
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	

SECTION V SIGNIFICANT EVENTS

Item	31 December 2018	1 January 2019	Adjustment
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
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			
Total non-current liabilities	99,370,000.00	99,370,000.00	
Total liabilities:	919,002,717.71	919,002,717.71	
Shareholders' interests			
Share capital	1,413,506,378.00	1,413,506,378.00	
State capital			
State-owned legal person capital	847,685,990.00	847,685,990.00	
Collective capital			
Private capital	319,690,081.00	319,690,081.00	
Foreign investment capital	246,130,307.00	246,130,307.00	
Net share capital	1,413,506,378.00	1,413,506,378.00	
Other equity instruments			
Capital reserve	6,147,927,729.10	6,147,927,729.10	
Less: Treasury shares			
Other comprehensive income			
Including: Difference in translation of foreign currency financial statements			
Special reserve			
Surplus reserve	472,670,941.45	472,670,941.45	
Including: Statutory reserve	454,088,745.02	454,088,745.02	
Discretionary reserve	18,582,196.43	18,582,196.43	
Undistributed profit	720,977,633.51	720,977,633.51	
Total equity attributable to owners of the Company	8,755,082,682.06	8,755,082,682.06	
Total owners' equity	8,755,082,682.06	8,755,082,682.06	
Total liabilities and owners' equity	9,674,085,399.77	9,674,085,399.77	

For details of the adjustments to the balance sheet of the Company, please refer to the notes to the financial statements.

SECTION V SIGNIFICANT EVENTS

IV APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: Yuan Currency: RMB

	Previously appointed	Currently appointed
Name of domestic accounting firm	ShineWing	WUYIGE
Compensation of domestic accounting firm	2,020,000	1,560,000
Number of years of audit by domestic accounting firm	1 year	1 year
Name of overseas accounting firm	–	–
Compensation of overseas accounting firm	–	–
Number of years of audit by overseas accounting firm	–	–

	Name	Compensation
Accounting firm for internal control audit	WUYIGE	340,000
Financial consultant	–	–
Sponsor	–	–

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.

- (i) 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.
- (ii) 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.

SECTION V SIGNIFICANT EVENTS

V MATERIAL LITIGATIONS AND ARBITRATIONS

- (i) **The Company has no material litigations or arbitrations during the year**
- (ii) **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 for return of properties, a case on technical service contract dispute, and the cases on Guangli's claim against Jiangsu Shenghua for 79,600-ton bulk carriers 1# and 2# installment work contract disputes. On 4 June 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua, and Jiangsu Shenghua had returned all the related assets. As for the case that the Company sued Jiangsu Shenghua in relation to a dispute over technical service contract, and the case that Guangli sued Jiangsu Shenghua in relation to a dispute over the Contract for Installation Engineering of 1# and 2# 79,600-ton bulk carriers, please refer to the "Significant Events – (I) Significant Litigations and Arbitrations" in the annual report of the Company for the year 2011 for details.

The Company attended the second meeting of creditors for bankruptcy on 27 April 2017 and received on 17 May 2017 a ruling made by Zhenjiang Intermediate Court which approved the proposal for bankruptcy and realization of properties of Jiangsu Shenghua. The valuation of the existing properties, land and structures erected thereon and machinery and equipment of Jiangsu Shenghua was completed, and its ships under construction were still under valuation. Its land, properties, machinery and other relevant assets were auctioned at RMB77.65 million.

There was no update of the event during the Reporting period.

VI MATERIAL CONNECTED TRANSACTIONS

- (i) **Connected transactions in the ordinary course of business**

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

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

The Company's financial report auditor and Directors (including four independent non-executive Directors) have reviewed the routine connected transactions and confirm that such transactions are conducted in the Company's ordinary course of business on normal commercial terms and in accordance with related contractual provisions; the transaction terms are fair and reasonable, and in the shareholders' interests as a whole; and the transactions did not exceed the cap amount for year 2019, as approved in the shareholders' meeting.

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

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

SECTION V SIGNIFICANT EVENTS

Connected transactions in the ordinary course of business for 2019 (from January to December)

Unit: Ten thousand Currency: RMB

No.	Content and type of transaction	Cap approved at general meeting	Actual transaction amount	Proportion of total amount of transactions of the same type (%)	Pricing basis
1	Products and services provided by the Group to the CSSC Group				
1.1	Provision of electrical and mechanical engineering equipment, and metallic accessories	503,837.00	128,253.77	6.01	Market price
1.2	Supply of utilities	8,301.00	194.82	25.03	Cost plus a 20-25% management fee or on terms no less favourable to the Group than terms available from independent third parties
1.3	Labour and technical services	20,006.00	17,552.45	37.29	On terms no less favourable to the Group than terms available from independent third parties
2	Products, leasing services and labour services provided by the CSSC Group to the Group				
2.1	Provision of electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	1,451,651.00	578,172.14	41.29	Market price or on terms no less favourable to the Group than terms available from independent third parties
2.2	Leasing, labour and technical services	100,458.00	18,333.19	2.55	On terms no less favourable to the Group than terms available from independent third parties or cost plus 10% management fee or market price
3	Financial services provided by the CSSC Group				
3.1	Deposits (amount)	780,000.00	759,432.79	53.04	Benchmark deposit interest rate set by the People's Bank of China plus reasonable upward adjustment
3.2	Interest on deposits	17,550.00	7,156.03	31.20	
3.3	Loans (amount)	1,060,000.00	372,668.60	25.81	No more than benchmark loan interest rate set by the People's Bank of China
3.4	Loan interest	51,940.00	12,354.75	33.92	
3.5	Others and bank facilities (credit limit)	900,000.00	204,240.72	14.03	On terms no less favourable to the Group than terms available from independent third parties
3.6	Others and bank facilities (interest amount)	1,420.00	408.26	11.86	On terms no less favourable to the Group than terms available from independent third parties
3.7	Forward exchange settlement (amount)	850,000.00	370,062.53	28.50	On terms no less favourable to the Group than terms available from independent third parties
3.8	Entrusted assets management services (amount)	600,000.00	70,000.00	100.00	On terms no less favourable to the Group than terms available from independent third parties
3.9	Entrusted assets management services (interest)	30,000.00	1,374.60	100.00	
4	Guarantees				
4.1	Maximum guarantee amount provided by the Company for the CSSC Group and its members	-	-		None
4.2	Expenses incurred in relation to the guarantee amount provided by the Company for the CSSC Group and its members	-	-		
4.3	Maximum guarantee amount provided by the CSSC Group and its members for the Company	800,000.00	45,715.04	100.00	
4.4	Expenses incurred in relation to the guarantee amount provided by the CSSC Group and its members for the Company	4,800.00	106.75	100.00	Guarantee fee of no more than 0.6%
5	Ship sales agency services provided by the CSSC Group				
5.1	Ship sales agency	14,046.00	3,503.55	18.60	Follow the global industry practice and will not exceed 0.25-1.5% of the contract price and be paid according to the shipbuilding progress of the vessel in question
6	Materials purchase agency services provided by the CSSC Group				
6.1	Materials purchase agency	1,610.00	594.58	100.00	1-2% of the contract price

SECTION V SIGNIFICANT EVENTS

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

1 *Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation*

Summary of matter

At the fourteenth meeting of the ninth session of the Board and the annual general meeting of 2018 of the Company held on 26 April and 28 May 2019, the resolution on the connected transaction in relation to the entering into the Phase 1 Relocation Agreement of Wenchong Shipbuilding by the Company's controlling subsidiary was considered and passed, pursuant to which, Guangzhou Wenchong Shipyard Co., Ltd., a controlling subsidiary of the Company, and CSSC Marine Services Co., Ltd. signed the First Phase Relocation Agreement of Wenchong Shipyard with a contract value of RMB1.4 billion, among which, RMB842 million and RMB558 million were the compensation for relocation and resettlement losses, respectively. As of the date of this report, all compensation has been used to supplement capital of the Company.

At the 22nd meeting of the ninth session of the Board and the second extraordinary general meeting of 2019 of the Company held on 18 November 2019 and 24 December 2019, the resolution on the connected transaction in relation to signing of the Compensation Agreement for Acquisition and Storage of Parcel One of Liwan Plant in Guangzhou Shipyard International by the Company's controlling subsidiary was considered and passed, pursuant to which, GSI, a controlling subsidiary, and Guangzhou Shipyard Shipping Co., Ltd. signed the Compensation Agreement for Acquisition and Storage of Parcel One of Liwan Plant in Guangzhou Shipyard International. Guangzhou Shipyard Shipping Co., Ltd. agreed to pay RMB1.427 billion to GSI as the cost of the liaison and other work specified by GSI in the land acquisition and storage compensation agreement. The Company issued an announcement on 27 December 2019 confirming that the work under the aforesaid agreement had been completed.

Index for details

For details, please refer to the "Announcement of CSSC Offshore & Marine Engineering (Group) Company Limited on the Connected Transaction about the Signing by the Controlling of Subsidiary on Relocation Agreement of Wenchong Shipyard Phase I" and the Announcement on Resolutions of 2018 AGM of COMEC dated 26 April 2019 and 28 May 2019 published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

For details, please refer to the "Announcement of CSSC Offshore & Marine Engineering (Group) Company Limited on the Connected Transaction about the Signing by a Controlling Subsidiary of the Compensation Agreement for Acquisition and Storage of Parcel", the Announcement on Resolutions of the Second Extraordinary General Meeting in 2019 of COMEC and the Announcement on Progress of the Compensation Agreement for Acquisition and Storage of Parcel dated 18 November 2019, 24 December 2019 and 27 December 2019 published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

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

- (1) 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.

SECTION V SIGNIFICANT EVENTS

- (2) 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 its 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 be transferred by market-oriented debt-to-equity investors of GSI and Huangpu Wenchong. Upon completion of the transaction, the Company is expected to acquire 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 consolidated it into its financial statement; and the Company will hold a 69.0164% equity interest in Huangpu Wenchong, which will remain a controlling 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.
- (3) On 16 September 2019 and 23 October 2019, the 19th meeting of the 9th session of the Board of the Company and the first extraordinary general meeting of 2019 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 adjusted 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 in GSI to CSSC Holdings was adjusted to RMB2,857,883,200. Upon completion of the above matters, the Company expected to acquire approximately 5.15% of the shares of CSSC Holdings; the Company would hold 46.3018% stake of GSI, and would no longer consolidate its statement; it would hold a 54.5371% stake of Huangpu Wenchong, which would still be a controlling subsidiary within the scope of the consolidated statement of the Company. For details, please refer to the “Resolutions of the 16th Meeting of the 19th session of the Board of Directors of CSSC Offshore” and the “Announcement on the Resolution of the 1st Extraordinary General Meeting 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 and 23 October 2019 respectively.
- (4) On 19 March 2020, GSI has obtained the “Notice of Approval for Change of Registration (Filing)” issued by the Guangzhou Administration for Market Regulation, approving the 27.4214% of the equity interests in GSI held by the Company to be transferred and registered under the name of the counterparty, CSSC Holdings. For details, please refer to “Announcement in relation to Completion of Asset Transfer for the Significant Asset Disposal and Connected Transaction” dated 24 March 2020 published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).
- (5) The Shanghai Branch of China Securities Depository and Clearing Corp. Ltd. issued the Certificate for the Registration of Changes in Securities (證券變更登記證明) on 30 March 2020, which confirmed the registration of 217,494,916 additional A shares issued by CSSC Holdings under the account of the Company. For details, please refer to “Announcement in relation to Completion of Implementation for the Significant Asset Disposal and Connected Transaction” dated 31 March 2020 published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

SECTION V SIGNIFICANT EVENTS

VII CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Leases

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Leased assets	Amount of lease assets	Date of commencement of lease	Date of expiry of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not	Relationship
Guangzhou Ship Industrial Co., Ltd.	Huangpu Wenchong	Land, buildings and structures	-	2014.5.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou 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 Company Limited and Huangpu Wenchong entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Company shall lease its land use rights in relation to part of the land at the Changzhou Plant to Huangpu Wenchong for operational usage. The rent for the land use rights shall be determined based on the principle of asset depreciation, and amortisation of taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use rights commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong is completed and commences formal production at its new plant.

Guangzhou Wenchong Industrial Co., Ltd. and Wenchong Shipyard entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Company shall lease its land use rights in relation to part of the land at the Wenchong Plant to Wenchong Shipyard for operational usage. The rent for the land use rights shall be determined based on the principle of asset depreciation, and amortisation of taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use rights commenced on 1 November 2018 and will end on the date on which the relocation of Wenchong Shipyard is completed and commences formal production at its new plant.

SECTION V SIGNIFICANT EVENTS

(ii) Guarantees

Unit: Yuan Currency: RMB

Guarantees provided by the Company and its subsidiaries for subsidiaries

Total amount of guarantees provided for its subsidiaries during the Reporting Period	2,320,000,000.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	1,820,000,000.00

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

Total amount of guarantees	1,820,000,000.00
Total amount of guarantees as a percentage of the Company's net assets (%)	11.71

Including:

Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70%

20,000,000.00

Description of outstanding guarantees which may incur several and joint liability

Not applicable

Description of guarantees

During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB1,820 million, all of which represented guarantees provided by the Company for GSI, its subsidiary Huangpu Wenchong, a subsidiary of the Company, for Wenchong Shipyard, and Wenchuan Heavy Industrial subsidiaries of Huangpu Wenchong, for financing projects and bank credit limits. The cap set out in the framework for the proposed guarantees between the Company and its subsidiaries for the year 2019 and their amounts, which was approved in 2018 annual general meeting has not been exceeded.

SECTION V SIGNIFICANT EVENTS

(iii) Cash assets entrusted to be managed by others

1 Entrusted wealth management

(1) Overview of entrusted wealth management

Unit: Yuan Currency: RMB

Type	Source of funding	Amount incurred	Outstanding balance	Amount overdue unrecovered
Entrusted assets	Self-owned funds	700,000,000.00	-	-

(2) Individual entrusted wealth management

Unit: Yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Date of commencement of entrusted wealth management	Date of expiry of entrusted wealth management	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted wealth management	Amount of provision made for impairment (if any)
CSSC Finance	CSSC Finance	300,000,000.00	2019/1/25	2019/4/29	Self-owned funds	Mainly utilised in low risk products such as central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing products, brokerage asset management plan, money funds, bond funds and deposits	Payment of principal and interest upon maturity	2.80%	2,163,287.67	2,163,287.67	300,000,000.00	Yes	Yes	-
CSSC Finance	CSSC Finance	200,000,000.00	2019/7/17	2019/11/26	Self-owned funds		Payment of principal and interest upon maturity	3.00%	2,169,863.01	2,169,863.01	200,000,000.00	Yes	Yes	-
CSSC Finance	CSSC Finance	70,000,000.00	2018/6/27	2019/7/10	Self-owned funds		Payment of principal and interest upon maturity	3.80%	2,754,739.73	2,754,739.73	70,000,000.00	Yes	Yes	-
CSSC Finance	CSSC Finance	200,000,000.00	2018/6/6	2019/8/8	Self-owned funds		Payment of principal and interest upon maturity	3.80%	7,641,643.84	7,641,643.84	200,000,000.00	Yes	Yes	-
CSSC Finance	CSSC Finance	130,000,000.00	2018/9/27	2019/10/10	Self-owned funds		Payment of principal and interest upon maturity	3.80%	5,115,945.21	5,115,945.21	130,000,000.00	Yes	Yes	-

Description:

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

2 **Entrusted loans**

(1) *Overview of entrusted loans*

Unit: Yuan Currency: RMB

Type	Source of funding	Amount incurred	Outstanding balance	Amount overdue unrecovered
Internal working capital loans of the group	Self-owned funds	3,880,286,000.00	3,680,286,000.00	-

(2) *Individual entrusted loans*

Unit: Yuan Currency: RMB

Tinsee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC France	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2017/8/25	2019/8/23	Self-owned funds	Replenishment of working capital (Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.0%	1,215,000.00	1,215,000.00	20,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2017/9/22	2019/8/23	Self-owned funds	Replenishment of working capital (Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.0%	1,168,333.33	1,168,333.33	20,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2017/10/23	2019/8/23	Self-owned funds	Replenishment of working capital (Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.0%	2,791,666.67	2,791,666.67	50,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2017/11/15	2019/8/23	Self-owned funds	Replenishment of working capital (Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.0%	539,166.67	539,166.67	10,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2017/12/11	2019/8/23	Self-owned funds	Replenishment of working capital (Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.0%	517,500.00	517,500.00	10,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2018/2/26	2019/8/23	Self-owned funds	Replenishment of working capital (Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.0%	936,666.67	936,666.67	20,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2018/8/3	2019/8/23	Self-owned funds	Replenishment of working capital (Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.0%	643,333.33	643,333.33	20,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2017/3/20	2020/3/18	Self-owned funds	Replenishment of working capital (Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.0%	4,582,500.00	4,237,500.00	-	Yes	Yes	-

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Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2017/3/28	2020/3/18	Self-owned funds	Replenishment of working capital of Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.00%	4,529,166.67	4,204,166.67	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2018/6/7	2021/6/6	Self-owned funds	Replenishment of working capital of Guangzhou Huzhouban Ocean Engineering Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.28%	3,004,500.00	2,041,912.50	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2018/12/27	2020/12/28	Self-owned funds	Replenishment of working capital of Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	4.00%	812,222.22	411,111.11	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	40,000,000.00	2018/3/11	2020/12/28	Self-owned funds	Replenishment of working capital of Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	4.00%	2,820,000.00	1,315,555.56	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	70,000,000.00	2019/5/27	2020/5/26	Self-owned funds	Replenishment of working capital of Guangzhou Huzhouban Ocean Engineering Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.92%	2,786,715.00	1,667,137.50	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	150,000,000.00	2019/8/23	2022/8/23	Self-owned funds	Replenishment of working capital of Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.00%	13,712,500.00	1,687,500.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2019/9/5	2022/9/5	Self-owned funds	Replenishment of working capital of Wenchuan Heavy Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.50%	3,199,893.33	344,166.67	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	209,286,000.00	2019/9/5	2020/9/4	Self-owned funds	Replenishment of working capital of Huzhou Wenchong	Payment of interest on a quarterly basis and principal upon maturity	3.50%	7,447,083.50	6,144,889.50	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	210,995,000.00	2019/6/6	2019/8/13	Self-owned funds	Replenishment of working capital of Huzhou Wenchong	Payment of interest on a quarterly basis and principal upon maturity	3.50%	184,110.33	184,110.33	210,999,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	35,000,000.00	2017/3/1	2019/2/28	Self-owned funds	Replenishment of working capital of Zhongshan GS	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	35,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	85,000,000.00	2017/4/21	2019/4/20	Self-owned funds	Replenishment of working capital of Zhongshan GS	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	85,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	85,000,000.00	2017/5/31	2019/5/30	Self-owned funds	Replenishment of working capital of Zhongshan GS	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	85,000,000.00	Yes	Yes	-

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Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	55,000,000.00	2018/6/23	2020/5/23	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2018/8/15	2020/8/14	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2018/10/17	2020/10/16	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2018/11/25	2020/11/25	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	35,000,000.00	2019/2/26	2021/2/25	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	85,000,000.00	2019/4/16	2021/4/15	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	85,000,000.00	2019/5/27	2021/5/26	Self-owned funds	Replenishment of working capital of Zhongshan GSI	Payment of interest on a quarterly basis and principal upon maturity	-	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2018/4/19	2019/4/18	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.00%	811,111.11	811,111.11	20,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2018/6/27	2019/4/18	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.00%	986,666.67	986,666.67	30,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2018/9/13	2019/9/12	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.00%	1,216,666.67	1,216,666.67	30,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2019/3/25	2019/10/21	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.00%	1,172,222.22	1,172,222.22	50,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2019/4/12	2019/10/21	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.00%	1,072,222.22	1,072,222.22	50,000,000.00	Yes	Yes	-

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Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2018124	2020123	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.0%	2,456,666.67	1,310,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2019517	2020516	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.0%	1,220,000.00	763,333.33	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2019729	2020728	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.0%	1,220,000.00	520,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2019826	2020825	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.0%	1,220,000.00	426,666.67	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	20,000,000.00	2019917	2020825	Self-owned funds	Replenishment of working capital of United Steel	Payment of interest on a quarterly basis and principal upon maturity	4.0%	794,444.44	265,555.56	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	22,000,000.00	2018419	2019418	Self-owned funds	Replenishment of working capital of Guangzhou Guangchen offshore & Marine Engineering Equipment Co., Ltd	Payment of interest on a quarterly basis and principal upon maturity	4.0%	892,222.22	22,000,000.00	22,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	20,000,000.00	2018717	2019716	Self-owned funds	Replenishment of working capital of Guangzhou Guangchen offshore & Marine Engineering Equipment Co., Ltd	Payment of interest on a quarterly basis and principal upon maturity	4.0%	811,111.11	811,111.11	20,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2018813	2019716	Self-owned funds	Replenishment of working capital of Guangzhou Guangchen offshore & Marine Engineering Equipment Co., Ltd	Payment of interest on a quarterly basis and principal upon maturity	4.0%	1,126,666.67	1,126,666.67	30,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	22,000,000.00	2018416	2020415	Self-owned funds	Replenishment of working capital of Guangzhou Guangchen offshore & Marine Engineering Equipment Co., Ltd	Payment of interest on a quarterly basis and principal upon maturity	4.0%	894,666.67	685,555.56	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	43,000,000.00	2019826	2020825	Self-owned funds	Replenishment of working capital of Guangzhou Guangchen offshore & Marine Engineering Equipment Co., Ltd	Payment of interest on a quarterly basis and principal upon maturity	4.0%	1,749,666.67	611,555.56	-	Yes	Yes	-

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Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	200,000,000.00	20181227	20191226	Self-owned funds	Replenishment of working capital of Wenchong Dockyard	Payment of interest on a quarterly basis and principal upon maturity	4.00%	8,111,111.11	8,111,111.11	200,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	295,000,000.00	20192114	2020313	Self-owned funds	Replenishment of working capital of Wenchong Dockyard	Payment of interest on a quarterly basis and principal upon maturity	4.00%	12,914,444.44	10,521,666.67	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	200,000,000.00	2019326	2020313	Self-owned funds	Replenishment of working capital of Wenchong Dockyard	Payment of interest on a quarterly basis and principal upon maturity	4.00%	7,822,222.22	6,200,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	128,000,000.00	2019425	2020424	Self-owned funds	Replenishment of working capital of Wenchong Dockyard	Payment of interest on a quarterly basis and principal upon maturity	4.00%	5,124,000.00	3,514,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	1,150,000,000.00	20191121	20201120	Self-owned funds	Replenishment of working capital of Wenchong Dockyard	Payment of interest on a quarterly basis and principal upon maturity	4.00%	46,766,666.67	5,238,888.89	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	200,000,000.00	20191226	20201225	Self-owned funds	Replenishment of working capital of Wenchong Dockyard	Payment of interest on a quarterly basis and principal upon maturity	4.00%	8,133,333.33	133,333.33	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	25,000,000.00	2019826	2020825	Self-owned funds	補充南方興業動力基金	Payment of interest on a quarterly basis and principal upon maturity	4.00%	1,016,666.67	362,777.77	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	150,000,000.00	201829	20191021	Self-owned funds	Replenishment of working capital of GSI	Payment of interest on a quarterly basis and principal upon maturity	4.00%	10,333,333.33	10,333,333.33	150,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	150,000,000.00	201829	20191220	Self-owned funds	Replenishment of working capital of Huarong Wenchong	Payment of interest on a quarterly basis and principal upon maturity	4.00%	11,333,333.33	11,333,333.33	150,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2018419	2019418	Self-owned funds	Replenishment of working capital of Huarong Wenchong	Payment of interest on a quarterly basis and principal upon maturity	4.00%	2,027,777.78	2,027,777.78	50,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2018510	201959	Self-owned funds	Replenishment of working capital of GSI	Payment of interest on a quarterly basis and principal upon maturity	4.00%	2,027,777.78	2,027,777.78	50,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	185,000,000.00	2018118	2021117	Self-owned funds	Replenishment of working capital of Huarong Wenchong	Payment of interest on a quarterly basis and principal upon maturity	4.00%	22,528,888.89	8,612,777.78	-	Yes	Yes	-

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Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	135,000,000.00	2018/1/8	2021/11/7	Self-owned funds	Replenishment of working capital of CSI	Payment of interest on a quarterly basis and principal upon maturity	4.00%	16,440,000.00	6,265,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2019/5/17	2021/5/16	Self-owned funds	Replenishment of working capital of CSI	Payment of interest on a quarterly basis and principal upon maturity	4.00%	4,061,111.11	1,272,222.22	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2019/5/17	2021/5/16	Self-owned funds	Replenishment of working capital of Huarong Wenchong	Payment of interest on a quarterly basis and principal upon maturity	4.00%	4,061,111.11	1,272,222.22	-	Yes	Yes	-

Description:

- 1) In the table above, the "expected return" represents the total returns expected to be obtained during the term of loan, and the "actual gain or loss" represents the gains or losses obtained as agreed under the contract during the elapsed period of loan.
- 2) During the Reporting Period, in order to support the operation and development of subsidiaries and supplement working capital for production and operation, the Group provided entrusted loans to relevant subsidiaries with the CSSC Finance as the entrusted financial institution, which was the entrusted loans within the consolidation scope and the gain or loss from which have been internally offset, and therefore, the "expected income" and "actual income or loss" at the consolidation level of the Group were both nil; and in order to support the operation and development of Nanfang Environment, the Group provided the entrusted loans of RMB25 million with the CSSC Finance as the entrusted financial institution, with an expected income of RMB1,016,700 and an actual income of RMB352,800.

VIII PERFORMANCE OF SOCIAL RESPONSIBILITIES

(i) Poverty alleviation measures of the Company

1 Targeted poverty alleviation plan

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

2 Annual summary of targeted poverty alleviation

In 2019, the Group seriously implemented the targeted poverty alleviation requirements of the Party Central, the Party Organization of CSSC and the provincial and city governments to fulfill its social responsibility as a state-owned enterprise. Following the spirit of the Notice of 2019 Targeted Poverty Alleviation Plan of China State Shipbuilding Corporation Limited issued by CSSC and the Three-Year Implementation Proposal for Targeted Poverty Alleviation of He'an Village, Xuwen County in the New Era by Guangzhou Ship Industrial Company Limited issued by Guangzhou Ship Industrial Company Limited and the work plan, and pushed forward its efforts on "Targeted Poverty Alleviation and Getting Rid of Poverty".

- (1) The Company dispatched a poverty alleviation cadre to He'an Village, Xuwen County, Guangdong Province, donated RMB200,000 (including supporting 4 poor students and contributing education amount of RMB11,000) to He'an Town, Xuwen County, and supported 35 households in He'an Village, He'an Town with a total donated amount of RMB10,500 (RMB300 per household).
- (2) The Company organized employees to purchase 22,152 native chickens in Heqing County, Yunnan Province, with a total amount of RMB2,215,200, to help the industrial development of Heqing County; shared the cost of the poverty alleviation project of Heqing County's "Training and Use of Labor Force" of RMB9,175.6 to fund the vocational skills training fee for poor students in Heqing County, and helped 20 poor students to enter Guangzhou Shipbuilding technical School for training and learning, thus further implementing targeted poverty alleviation measures.

SECTION V SIGNIFICANT EVENTS

3 Results of targeted poverty alleviation

Unit: Ten thousand Currency: RMB

Indicator	Number and relevant information
I. General information	
Including: 1. Fund	243.49
2. Materials	0
3. Number of records established for poor people (person)	140
II. Investment by project	
1. Poverty alleviation through industrial development	
	<input checked="" type="checkbox"/> Agriculture and forestry industry poverty alleviation <input type="checkbox"/> Tourism poverty alleviation <input type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Assets income poverty alleviation <input type="checkbox"/> Technology poverty alleviation <input type="checkbox"/> Others
Including: 1.1 Types of industrial poverty alleviation projects	
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount of investment in industrial poverty alleviation projects	221.52
2. Job transfer poverty alleviation	
Including: 2.1 Amount of investment in vocational skills training	0.9
2.2 Number of persons receiving vocational skills training	20
4. Poverty alleviation through education	
Including: 4.1 Amount invested in helping the poor students	1.1
4.2 Number of the poor students funded (person)	4
8. Social poverty alleviation	
Including: 8.1 Amount invested in coordinated poverty alleviation	9
9. Other projects	
Including: 9.1 Number of projects	2
9.2 Amount of investment	19.97
9.3 Number of records established for poor people who have got out of poverty (person)	140

4 *Subsequent targeted poverty alleviation plan*

In 2020, the Group will support and help with the industrial development, education, infrastructure development, labour training and pairing with receipts of aids in accordance with the deployments and arrangements of higher authorities.

(ii) **Social responsibility work**

For details about the performance of the social responsibilities of the Company and the requirements of the Hong Kong Stock Exchange for the environmental, social and governance reporting guidelines, please refer to the "Corporate Governance Report for the year 2019", which was published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk), the Shanghai Stock Exchange (www.sse.com.cn) and the Company (comec.cssc.net.com) on 27 April 2020.

(iii) **Environmental information**

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

According to the Circular on the List of the Key Pollution Discharge Entities in Guangzhou for 2019 (Sui Huan [2019] No. 45) issued by Guangzhou Environmental Protection Bureau in March 2019, six members of the Group, namely GSI, Huangpu Wenchong, Longxue Pipe, Wenchong Shipyard, Wenchong Dockyard and Huangchuan Ocean Engineering, were included as key pollution discharge entities in Guangzhou for 2019.

(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, the waste gas emissions of GSI did not exceed the standard.

② Waste water

The waste water generated by GSI includes production waste water and domestic sewage. 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 sewage is from the sewage generated at the production area and the office area. During the Reporting Period, GSI discharged a total of 365,024 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.

SECTION V SIGNIFICANT EVENTS

③ Solid waste (including hazardous waste)

The solid waste generated by GSI is mainly classified into two types, being production solid waste and domestic refuse. GSI collects and separates the solid waste generated. Recyclable solid waste such as waste metal is utilised by waste material recycling companies, and non-recyclable solid waste is sorted by environmental protection authorities and then delivered to qualified landfill sites for disposal. Domestic refuse is collected and disposed of by local environmental sanitation authorities. Entities with permits to conduct hazardous waste operation are appointed to treat hazardous waste. During the Reporting Period, GSI disposed of a total of 46,121 tonnes of solid waste, including 45,198 tonnes of general industrial solid waste and 922 tonnes 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.

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. During the Reporting Period, there were no excessive emissions and excessive emissions of air pollutants from the Longxue Pipe, and there were no environmental penalties and pollution accidents. It met the level III, period II standard set out in Emission Limits of Air Pollutants (DB44/27-2001).

② Waste water

The waste water generated by Longxue Pipe is mainly acid and alkali-containing flushing waste water and is processed through the sewage treatment station of the plant by way of physiochemical treatment. During the Reporting Period, Longxue Pipe discharged a total of 3,890 tonnes of waste water, and recycled 6,336 tonnes of water. The discharge of wastewater met the level III, period II standard set out in the Emission Limits of Water Pollutants DB44/26-2001.

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 819 tonnes of hazardous waste and 151 tonnes of industrial waste.

④ Noise

The noise generated by Longxue Pipe represents mainly production noise. The noise at at 60dB(A) daytime and 50dB(A) nighttime met the GB12348-2008 level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary.

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3) Wenchong Dockyard

The pollutants produced by Wenchong Shipyard are mainly waste gas, waste water, solid waste and noise.

① Waste gas

The waste gas produced by Wenchong Shipyard represents mainly dust and organic waste gas generated from ore processing, welding and cutting. The relevant positions in the production workshop are equipped with waste gas processing facilities. 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 not met 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 64,572 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 Water Pollutants of Guangdong Province, and no standard had not been met during the Reporting Period.

③ Solid waste (including hazardous waste)

It 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 (domestic) 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 74,301 tonnes of solid waste (industrial refuse, waste steel and waste ore) and 2,406 tonnes of hazardous waste.

④ Noise

It 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.

SECTION V SIGNIFICANT EVENTS

4) Huangpu Wenchong

The air pollutants produced by Huangpu Wenchong mainly include particulate matter, benzene, toluene, xylene, VOCs, etc., which met the level II, period II standard set out in the Emission Limits of Air Pollutants (DB44/27-2001) of Guangdong Province; the water pollutants produced mainly include SS, COD, ammonia nitrogen, petroleum, etc., which met the level III, period II standard set out in the Emission Limits of Water Pollutants (DB44/26-2001) of Guangdong Province. There are one wastewater discharge port and eight exhaust gas discharge ports in total, all of which have no excessive discharge.

Huangpu Wenchong holds the Pollution Discharge Permit, the Drainage Permit and the Radiation Safety Permit, and the certificates are used within the validity period.

① Waste gas

The waste gas produced by Huangpu Wenchong mainly represents dust and organic waste gas generated in 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, and the Company produced 286.28 million cubic meters of industrial waste gas in 2019, which met the emission requirements in 2019.

② Waste water

The waste water generated by Huangpu Wenchong includes production waste water and domestic sewage. 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 sewage 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 189,018 tonnes of waste water, 13,750 tonnes of which were processed in the plant before discharge, and met the emission standard.

③ Solid waste (including hazardous waste)

Solid waste produced by Huangpu Wenchong is mainly divided into general industrial solid waste, hazardous waste and domestic waste, and it strengthens the daily management of such waste, especially hazardous waste, in accordance with the laws and regulations such as the Administrative Measures for the Management of Solid Waste of the People's Republic of China and the Regulations on the Management of Solid Waste of Guangdong Province.

In 2019, the company produced a total of 5,169 tonnes of general industrial solid waste and 619 tonnes of hazardous waste, which met the emission standard.

SECTION V SIGNIFICANT EVENTS

5) Wenchong Shipyard

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

① Waste gas

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

② Waste water

The waste water generated by Wenchong Shipyard includes production waste water and domestic sewage. 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 sewage 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 267,982 tonnes of waste water.

③ Solid waste (including hazardous waste)

The solid waste generated by Wenchong Shipyard include hazardous waste, general industrial solid waste and domestic refuse. Qualified entities are appointed to dispose of hazardous waste generated by it. During the Reporting Period, Wenchong Shipyard disposed of 5,829 tonnes of general industrial waste and 1,678 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).

6) Huangchuan Ocean Engineering

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

① Waste gas

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

② Waste water

The waste water generated by Huangchuan Ocean Engineering includes production waste water and domestic sewage. 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 sewage is from the sewage generated at the production area and the office area. During the Reporting Period, Huangchuan Ocean Engineering discharged a total of 299,495 tonnes of waste water, the water pollutant emission concentration of which has met the level I, period II standard set out in the Emission Limits of Air Pollutants of Guangdong Province, and no standard had not been exceeded.

SECTION V SIGNIFICANT EVENTS

③ Solid waste (including hazardous waste)

The solid waste generated by Huangchuan Ocean Engineering include mainly three types, namely recyclable solid waste, non-recyclable solid waste and hazardous waste.

Huangchuan Ocean Engineering collects and separates the solid waste generated. Recyclable solid waste such as waste metal is utilised by waste material recycling companies. Qualified entities are appointed to treat non-recyclable solid waste and hazardous waste. During the Reporting Period, Huangchuan Ocean Engineering disposed of 6,310 tonnes of non-recyclable solid waste and 543 tonnes of hazardous waste.

④ Noise

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

(2) Construction and operation of pollution prevention facilities

1) GSI

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

2) Longxue Pipe

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

3) Wenchong Shipyard

Wenchong Shipyard has 6 sets of sewage treatment systems. Oily wastewater and pickling wastewater (mainly boiler wastewater) are pretreated at the oily wastewater treatment station (with the pickling wastewater treatment system built in the 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, and the particulate matter produced by the cutting process is processed by the filter cartridge dust collector. Welding flue gas at pipe workshop and special 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 two sets of activated carbon absorption device. Acid mist waste gas generated by chemical cleaning is purified by a fiberglass acid mist purification tower.

2 sets of activated carbon adsorption + 1 set of catalytic combustion purification treatment devices and 1 set of VOCs unorganized online monitoring device are equipped for the discharge of unorganized organic waste gas.

SECTION V SIGNIFICANT EVENTS

4) Huangpu Wenchong

Huangpu Wenchong has established 5 sets of cyclone + filter cartridge dust collectors for the 2-metre and 3-metre steel plate pretreatment lines and painting rooms which generate dust, 3 sets of activated carbon adsorption + catalytic combustion purification treatment devices for the 2-metre and 3-metre steel plate pretreatment lines and painting rooms which generate organic waste gas, and a domestic sewage treatment station and an oily wastewater treatment station for the waste water generated. Waste water from the canteen in the plant area is treated through the grease trap and residue interceptor before discharge. All industrial and domestic sewage is collected through pipelines and discharged into municipal sewage pipelines. 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 2019, through periodic repair and maintenance work of its equipment and facilities, the equipment and facilities of the company were in good operating condition.

5) Wenchong Shipyard

Existing facilities of Wenchong Shipyard against environmental pollution: 9 sets of organic waste gas purification device (1 in the pretreatment workshop, and 2 in each of the painting and assembly workshop A, D, E, and F), 7 sets of dust removal device (1 in the pretreatment workshop, and 3 in each of workshop B and C), 6 sets of welding dust purification device (all installed in the pipe processing workshop). All units using these anti-pollution devices have kept regular maintenance of the devices with detailed operation record. In 2019, to reduce noise from production, the company replaced the safety valve of gas tankers to reduce unloading pressure and installed double layer aluminum alloy rolling gate to lower the impact of production noise. In December, 1 set of online VOC monitoring equipment (provided by the Environmental Protection Bureau of Huangpu District) was installed in painting workshop A and connected to the automatic pollutant monitoring system in Guangzhou City to perform real-time monitoring of VOC emission. No new projects against pollution has been commenced since 2019.

6) Huangchuan Ocean Engineering

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

(3) *Environmental impact assessment for construction projects and other administrative permission for environmental protection*

1) GSI

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

2) Longxue Pipe

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

SECTION V SIGNIFICANT EVENTS

3) 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). A newly built rain water collection pool was approved by the Examining and Approving Administration Authority of Nansha Economic and Technology Development Zone (Sui Nan Shen Pi Huan Ping [2019] No. 293). Wenchong Dockyard has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

4) Huangpu Wenchong

In 2019, Huangpu Wenchong established a storage and transportation station for general industrial solid waste, carried out environmental quality survey reports in accordance with the laws and regulations of the People's Republic of China Environmental Impact Assessment Law and the Regulations on the Administration of Construction Project Environmental Protection, and filed with the District Eco-Environment Bureau. With the pollution discharge permit and the drainage permit, the Company could achieve stable discharge of pollutants and control the total discharge in the daily production and operation.

5) Wenchong Shipyard

In July 2018, Wenchong Shipyard conducted the environmental impact assessment for painting workshop and the temporary storage site for hazardous waste, which completed the inspection and acceptance and was put into normal operation in May 2019. The company obtained the drainage permit in April 2019 and the pollutant discharge permit in May 2019.

6) 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 passed inspection and acceptance in April 2019. The 2014 funding and investment project has obtained approval from the Environmental Protection Bureau of Nansha District (Sui Nan Kai Huan Guan Ying [2014] No.190) and construction work is underway.

(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.

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, fire drills and material support).

SECTION V SIGNIFICANT EVENTS

2) 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 in November 2019 and was filed with the Nansha District Branch of Guangzhou Ecological Environment Bureau in December 2019. No environmental pollution incidents had occurred, and an emergency drill for sudden environmental events was organized during the Reporting Period.

3) Huangpu Wenchong

In December 2018, Huangpu Wenchong formulated and filed the emergency plan for sudden environmental events, including 2 special emergency plans and 9 on-site disposal plans, established an emergency command team and a graded emergency system for sudden environmental events, and regularly conducted emergency trainings and drills.

In 2019, Huangpu Wenchong carried out three emergency drills, including the emergency plan for ship oil leak, the emergency plan for ship oil spill and the pipeline leakage of carbon dioxide storage tank, and conducted an evaluation of training results and a summary for such activities.

4) Wenchong Shipyard

Wenchong Shipyard started the second round of environmental emergency plan and risk assessment in October 2018, which involved on-site investigation, data collection, plan and report preparation, expert review, on-site rectification and other stages, and successfully completed the filing with the Huangpu District Environmental Protection Bureau in January 2019. The results of this work are mainly presented as the Emergency Plan for Sudden Environmental Events, the Risk Assessment Report for Sudden Environmental Events and the Emergency Resources Investigation Report. At the beginning of the year, Wenchong Shipyard formulated and released an annual safety environment emergency and drill plan, which was completed by all departments based on the time nodes.

5) Huangchuan Ocean Engineering

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

(5) *Environment self-monitoring solutions*

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

SECTION V SIGNIFICANT EVENTS

IX OTHERS

(i) Reserves

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

(ii) Property, plant and equipment

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

(iii) Bank loans and other loans

Details of the Company's bank loans and other loans as at 31 December 2019 are set out in notes to financial statements.

(iv) Purchase, disposal or redemption of listed securities of the Company

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

(v) Pre-emptive right

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

(vi) Service contracts with Directors and Supervisors

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

(vii) Remuneration of Directors and Supervisors

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

(viii) Directors' and Supervisors' interest in contracts

During the financial year ended 31 December 2019, none of the Company or any of its subsidiaries has entered into any contract which has significant effect on the Company's business, in which Directors or Supervisors have direct or indirect significant interest and which is still in effect during the financial year ended 31 December 2019.

(ix) Directors' interest in competing business

No Directors have any interest in any competing business.

(x) Management contracts

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2019.

(xi) Major customers and suppliers

During the year ended 31 December 2019, the purchase made by the Group from its top five suppliers (as defined in the Listing Rules) in total did not exceed 18.16% of the Group's total purchase of goods and services for the year.

During the year ended 31 December 2018, the sales made by the Group to its top five customers in total accounted for 42.84% of the Group's total sales for the year, of which the Group's sales to its largest customer accounted for 24.43% of the Group's total sales for the year.

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

(xii) Permitted indemnity for directors

In accordance with the Articles of Association and subject to the relevant provisions therein, each director and supervisor shall be indemnified and kept indemnified against all litigation, fees, charges, losses, compensation and expenses incurred in performing its duties as a director or supervisor of the Company or other matters related to it by the Company with its assets and profits. The Company has arranged appropriate insurance protection for any legal actions incurred by directors, supervisors and senior management in the course of performing their duties in good faith.

(xiii) Compliance with laws and regulations

To the best knowledge of the board of directors and the management of the Company, the Company has complied with relevant laws and regulations that have a major impact on its business and operations. During the year, the Company did not have material violation or non-compliance with applicable laws and regulations

(xiv) Environmental, Social and Governance Report

The Company has prepared the Environmental, Social and Governance (“Environmental, Social and Governance”) Report, which contains our environmental, social and governance data for 2019, and has complied with the environmental, social and governance guidelines of the Listing Rules. The 2019 Environmental, Social and Governance Report has been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.sse.com) on 27 April 2020.

(xv) Remuneration policies

As at 31 December 2019, the total number of employees of the Group was 15,366. The remuneration of employees has been determined based on the complexity and responsibility of their positions and their work performance. The remuneration of Directors, supervisors and senior management of the Company consists mainly of the following:

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

(xvi) Retirement and employee benefit plans

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

(xvii) Audit Committee

The Audit Committee of the Company has reviewed the Group’s annual results for 2019 and the financial statements for the year ended 31 December 2019 prepared under the Accounting Standards for Business Enterprises in the PRC.

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I CHANGES IN ORDINARY SHARES

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

II SHAREHOLDERS AND ACTUAL CONTROLLERS

(i) Total number of shareholders

Total number of ordinary shareholders at the end of the Reporting Period	73,736
Total number of ordinary shareholders as at the end of the month preceding the date of publication of annual report	69,348

(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			Pledged or frozen Share status	Number	Shareholder Nature
		Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restriction			
HKSCC Nominees Limited	-181,252	588,929,475	41.66	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
Xie Chuanrong	0	7,022,413	0.50	0	None	0	Domestic natural person
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	-517,800	6,671,958	0.47	0	None	0	Others
Yangzhou Kejin Shipyard Co., Ltd.	0	6,500,000	0.46	0	Pledged	6,500,000	Domestic non-state- owned legal person
Xi'an Investment Holding Co., Ltd.	0	5,291,159	0.37	0	None	0	Domestic non-state- owned legal person
Golden Eagle Fund – ICBC – Golden Eagle Suitong No. 9 Asset Management Plan	0	5,164,479	0.37	0	None	0	Others
Hong Kong Exchanges and Clearing Limited	1,243,060	2,303,876	0.16	0	None	0	Overseas legal person

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Top ten shareholders of shares not subject to selling restrictions

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	588,929,475	Overseas listed foreign shares	588,929,475
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
Xie Chuanrong	7,022,413	Ordinary shares denominated in RMB	7,022,413
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	6,671,958	Ordinary shares denominated in RMB	6,671,958
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
Hong Kong Exchanges and Clearing Limited	2,303,876	Ordinary shares denominated in RMB	2,303,876
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 CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS

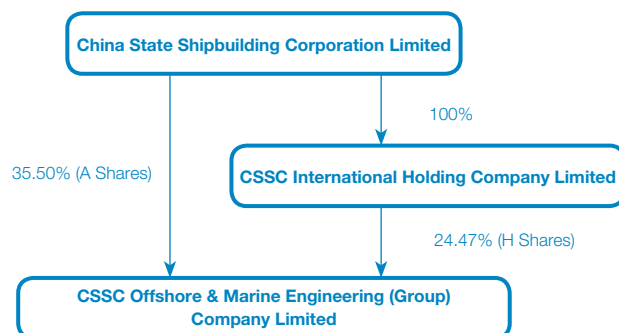
(i) Controlling shareholders

1 Legal persons

Name	China State Shipbuilding Corporation Limited
The person in charge of the unit or legal representative	Lei Fanpei
Date of establishment	29 June 1999
Principal businesses	State-owned assets investment and management, industrial investment, investment management within the scope of authorisation of the State Council; research and development, design, production, sale and maintenance services; research and development, design, manufacture, repair, lease, management of ships, offshore engineering and marine transportation, marine development, marine protection equipment; research and development, design, manufacture, repair, lease, management of large engineering equipment, power equipment, mechanical and electrical equipment, information and control products; import and export of goods and technology, domestic trading; completed equipment warehousing logistics, exploration, development and investment management of complete equipment, ship leasing business, liner investment and management; survey and design, project contracting, project construction, construction and installation, project supervision business. Development, transfer and consulting of military technology, civil technology and technology for both military and civil uses, technical services, investment in and management of technical training business.
Shareholdings in other domestic and overseas listed companies of which it has holding rights and jointstocks during the Reporting Period	As at 31 December 2019, the Company directly and indirectly held a total of 52.98% equity interest in China CSSC Holdings Limited, and directly and indirectly held a total of 41.28% equity interest in CSSC Science & Technology Co., Ltd., and indirectly held a total of 75% equity interest in its CSSC (Hong Kong) Shipping Company Limited
Notes on other matters	CSSC and CSSC International entered into the Parties Acting in Concert Agreement on 28 September 2018, in which it was agreed that CSSC International shall authorise CSSC to exercise its shareholder's rights so far as CSSC remains the controlling shareholder or actual controller of CSSC International (For details, please refer to the Announcement in relation to the Entering into the Parties Acting in Concert Agreement by Substantial Shareholders of the Company published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Company on 28 September 2018).

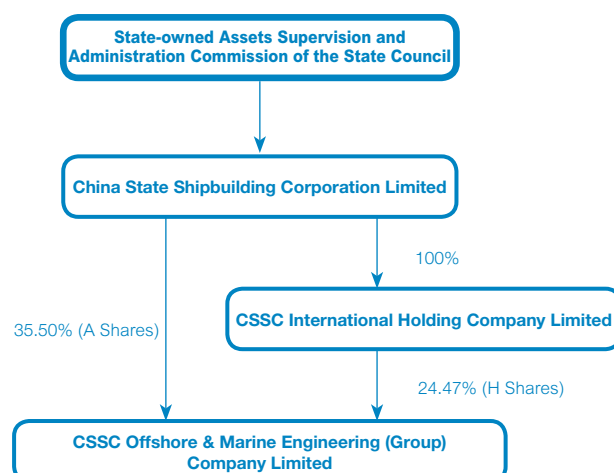
SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

2 Ownership and controlling relationship between the Company and controlling shareholders



(ii) Information on actual controllers

1 Ownership and controlling relationship between the Company and actual controllers



IV OTHER LEGAL PERSON SHAREHOLDERS WITH 10% OR MORE SHAREHOLDING

Unit: Hong Kong dollars in ten thousand

Name of legal person shareholder	The person in charge of the unit or legal representative	Date of establishment	Code of organisation	Registered capital	Principal business or management activities
CSSC International Holding Company Limited	Li Chaokun	24 August 2018	None	100	Engaged in overseas financing business; providing centralized overseas fund management services for members of CSSC; engaged in business cooperation; other business authorized by CSSC; and other business permitted by the law.
Description	CSSC and CSSC International entered into the Parties Acting in Concert Agreement on 28 September 2018, in which it was agreed that CSSC International shall authorise CSSC to exercise its shareholder's rights so far as CSSC remains the controlling shareholder or actual controller of CSSC International (For details, please refer to the Announcement in relation to the Entering into the Parties Acting in Concert Agreement by Substantial Shareholders of the Company published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Company on 28 September 2018).				

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

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

As at 31 December 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 Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, the 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 Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 31 December 2019.

VI DIRECTORS' AND SUPERVISORS' INTEREST

As at 31 December 2019, none of the Directors, Supervisors and chief executive of the Company has any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be recorded in the register required to be kept under Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers.

VII OTHER INFORMATION

(i) Warrants and others

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

(ii) Public float of H shares

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

(iii) Revision of the Articles of Association

During the Reporting Period, the Company made certain amendments to the Articles of Association in accordance with the Company Law (2018 Revision), Code of Corporate Governance for Listed Companies (2018 Revision) and other laws and regulations.

(iv) Connected Transactions

Details of connected transactions entered into by the Company as at 31 December 2019 are set out in note 12 to the consolidated financial statements. Except for the transactions described in section 14 "Material Connected Transactions" of the Report of the Board (these transactions have complied with the disclosure requirements of Chapter 14A of the Listing Rules of the Stock Exchange), none of these connected transactions constitute a disclosable connected transaction.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

I CHANGE IN SHAREHOLDING AND REMUNERATION

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

Unit: share

Name	Position (note)	Gender	Age	Date of appointment	Date of termination of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held in the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousand)	Whether receiving compensation from related parties of the Company or not
Han Guangde	Executive Director	Male	58	2004-6-25	2020-5-31	0	0	0	-	15.32	Yes
Chen Zhongqian	Executive Director	Male	56	2013-11-25	2020-5-31	0	0	0	-	75.50	No
Chen Liping	Executive Director	Male	53	2016-8-10	2020-5-31	0	0	0	-	98.95	No
Sheng Jigang	Executive Director	Male	52	2018-12-5	2020-5-31	0	0	0	-	61.94	No
Xiang Huiming	Executive Director	Male	54	2015-5-8	2020-5-31	0	0	0	-	71.24	No
Chen Ji	Executive Director	Male	53	2016-8-10	2020-5-31	0	0	0	-	67.47	No
Shi Jun	Non-executive Director	Male	45	2018-2-12	2020-5-31	0	0	0	-	-	Yes
Wang Yichu	Independent non-executive Director	Male	61	2015-11-5	2020-5-31	0	0	0	-	20.00	No
Min Weiguo	Independent non-executive Director	Male	55	2015-11-5	2020-5-31	0	0	0	-	20.00	No
Liu Renhuai	Independent non-executive Director	Male	79	2018-2-12	2020-5-31	0	0	0	-	20.00	No
Yu Shiyou	Independent non-executive Director	Male	64	2018-2-12	2020-5-31	0	0	0	-	20.00	No
Jin xuejian	Chairman of the Supervisory Committee	Male	54	2019-10-23	2020-5-31	0	0	0	-	-	Yes
Fu Xiaosi	External supervisor	Male	61	2008-5-13	2020-5-31	0	0	0	-	9.00	No
Chen Shu	External supervisor	Female	66	2019-5-28	2020-5-31	0	0	0	-	5.31	No
Mai Rongzhi	Employee supervisor	Male	57	2018-2-12	2020-5-31	0	0	0	-	54.39	No
Zhang Shan	Employee supervisor	Male	49	2018-2-12	2020-5-31	0	0	0	-	48.35	No
Li Zhidong	Secretary to the Board	Male	54	2016-10-14	2020-5-31	0	0	0	-	81.48	No
Hou Zengquan	Chief financial officer	Male	49	2017-11-10	2020-5-31	0	0	0	-	65.44	No
Wu Guang Jun	Chairman of the Supervisory Committee	Male	54	2016-8-10	2019-7-19	300	0	-300	Personal reason	-	Yes
Zhu Zhengfu	External supervisor	Male	56	2011-5-31	2019-5-25	0	0	0	-	3.60	No
Total	-	-	-	-	-	300	0	-300	-	737.97	

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

Name	Main work experiences
Han Guangde	Male, born in May 1962, senior engineer (researcher level). He graduated from Huazhong University of Science and Technology (華中工學院) in 1983 and joined Guangzhou Shipyard in the same year, and obtained a master of engineering in industrial engineering in 2002. He successively served as deputy head of the production management department under the shipbuilding division, deputy manager and manager of the shipbuilding division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy general manager, general manager, chairman of the board of directors and party secretary of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); chairman of the board of directors of CSSC Guangzhou Longxue Shipbuilding Co., Ltd. (廣州中船龍穴造船有限公司); chairman of the board of directors and party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司); and chairman of the board of directors of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司). He is currently chairman of the board of directors and party secretary of Guangzhou Ship Industrial Co., Ltd. (廣州船舶工業有限公司), chairman of the board of directors of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司) and Chairman of the Board.
Chen Zhongqian	Male, born in September 1963, senior engineer (researcher level). He graduated from Wuhan University of Water Transportation Engineering College (湖北武漢水運工程學院) in 1983 and joined Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司) in the same year. In 2002, Mr. Chen obtained a master's degree in business administration. He successively served as deputy head and head of the outfitting department, assistant to general manager and deputy general manager of Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司); general manager, party secretary, vice chairman and chairman of the board of directors of Guangzhou Huangpu Shipyard Co., Ltd. (廣州黃埔造船有限公司); and chairman of the board of directors and party secretary of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司). He is currently chairman of the board of directors and party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司) and vice Chairman of the Board.
Chen Liping	Male, born in November 1967, senior accountant and senior economist. He graduated from Harbin Institute of Technology (哈爾濱工業大學), majoring in precision instrument, with a bachelor's degree in engineering in July 1989, and graduated from South China University of Technology (華南理工大學), majoring in business administration, with a master's degree in 2002. He successively served as deputy manager of the finance department, deputy chief accountant and chief accountant of Guangzhou Wenchong Shipyard Co. Ltd. (廣州文沖船廠有限責任公司); chief accountant, secretary to the board of directors, and executive director of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy director of the audit department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司); and chief accountant of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently an executive Director and general manager of the Company.
Sheng Jigang	Male, born in October 1968, senior engineer (researcher level). He graduated from Shanghai Jiao Tong University in August 1991, majoring in ship engineering. He successively served as deputy general manager of Jiangnan Shipbuilding (Group) Co., Ltd. (江南造船(集團)有限責任公司), deputy general manager of Shanghai Jiangnan Changxing Heavy Industry Co., Ltd. (上海江南長興重工有限責任公司), general manager of CSSC Jiangnan Heavy Industry Co., Ltd. (中船江南重工股份有限公司), chairman of CSSC Hua Hai Ships Equipment Co., Ltd. (中船華海船用設備有限公司), general manager of CSSC Steel Structure Engineering Co., Ltd. (中船鋼構工程股份有限公司), director of ship and marine engineering department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司), and general manager and deputy party secretary of Shanghai Waigaoqiao Shipbuilding Co., Ltd. (上海外高橋造船有限公司). He is currently chairman and party secretary of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司).
Xiang Huiming	Male, born in March 1966, senior engineer (researcher level). He graduated from Huazhong University of Science and Technology (華中理工大學) in 1988 and joined Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司) in the same year, and obtained a master's degree in business administration in 2004. He successively served as engineering head of the production section, deputy director of general office and deputy head of the enterprise management department, manager of the enterprise management department, assistant to general manager, deputy general manager, party secretary, general manager and chairman of Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司). He is currently general manager and deputy party secretary of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司); and an executive Director of the Company.
Chen Ji	Male, born in September 1967, senior engineer. He graduated from Shanghai Jiaotong University (上海交通大學), majoring in ship engineering, with a bachelor's degree in engineering in 1989, and graduated from South China University of Technology (華南理工大學), majoring in business administration, with a master's degree in 2001. He successively served as assistant to manager of the ship maintenance division and deputy manager of the heavy mechanical engineering division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); director, deputy general manager, deputy party secretary, secretary to the discipline inspection commission and chairman of the labor union of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); secretary to the discipline inspection commission of Guangzhou Shipyard International Company Limited (廣船國際有限公司) and party secretary of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司). He is currently general manager and deputy party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司); chairman of Guangzhou Wenchong Ship Building and Repair Co., Ltd (廣州文沖船舶修造有限公司) and an executive Director of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

Name	Main work experiences
Shi Jun	Male, born in April 1974, senior engineer. He graduated from Harbin Engineering University (哈爾濱工程大學) in 1996 and joined Guangzhou Huangpu Shipyard (廣州黃埔造船廠) in the same year. He successively served as deputy director of the production management department and deputy manager of the marine engineering department of the shipbuilding division of Guangzhou CSSC Huangpu Shipbuilding Company Limited (廣州中船黃埔造船有限公司); assistant to general manager of Guangzhou Huangchuan Ocean Engineering Co., Ltd. (廣州黃船海洋工程有限公司); and head of the operation planning section of the operation management department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司). He is currently deputy director of the operation management department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司); and a non-executive Director of the Company.
Wang Yichu	Male, born in May 1959, senior accountant. He graduated from Jinan University (暨南大學), majoring in accounting, in July 1984, and obtained a graduate diploma in political economics in 2007. He successively served as financial accountant of South China No. 2 Sewing Machine Factory (華南縫紉機二廠), financial accountant of Guangzhou Jintong Industrial Co., Ltd. (廣州金通實業有限公司), auditor, department manager and deputy chief accountant of BDO China Guang Dong Shu Lun Pan Certified Public Accountants (立信羊城會計師事務所有限公司). He is currently a partner of BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合伙)); and an independent non-executive director of the Company.
Min Weiguo	Male, born in March 1965. He graduated from Wuhan University with a bachelor's degree in law in June 1987 and obtained a master's degree in business administration in 2005. He served as director of Zhuhai Xiangzhou Economy and Trade Law Firm (珠海市香洲區經貿律師事務所), partner and director of D&S Law Firm (德賽律師事務所) in Guangdong, director of Toronto office of D&S Law Firm, and senior partner of Guangdong Nanguo D&S Law Firm (廣東南國德賽律師事務所). He is currently chief partner of Guangdong Nanguo D&S Law Firm; Chairman of Guangzhou Desci Fund Management Company and Guangzhou Desci Assets Management Group Co., Ltd.; and an independent non-executive Director of the Company.
Liu Renhuai	Male, born in July 1940, professor and academician of Chinese Academy of Engineering. He graduated from Lanzhou University in August 1963 (蘭州大學), majoring in mathematics and mechanics. He successively served as lecturer, associate professor, professor, deputy head of teaching and research section, deputy department director, deputy editor-in-chief of college journal of University of Science and Technology of China (中國科技大學); vice president, first dean of the economic management school and director of projection and consulting institute of Shanghai University of Technology (上海工業大學); professor and doctoral supervisor of Shanghai Institute of Applied Mathematics and Mechanics (上海應用數學和力學研究所); vice president, president and party secretary of Jinan University (暨南大學); vice chairman of Guangdong Provincial Association for Science and Technology, standing member of the eighth and ninth sessions of Guangdong Provincial Political Consultative Conference, deputy director of the committee of education, science, culture, health and sports of Guangdong Provincial Political Consultative Conference, counselor of the People's Government of Guangdong Province; chairman of Chinese Society for Vibration Engineering (中國振動工程學會), vice chairman of the Chinese Society of Theoretical and Applied Mechanics (中國力學學會), vice chairman of China Society of Compound Technology Sciences (中國複合技術科學會), vice chairman of the National Higher-school Teaching Research Association (全國高等學校教學研究會); director of the Higher-school Teaching Guiding Committee of the Ministry of Education (教育部高等學校力學教學指導委員會), head of the Management Department of the Science & Technology Commission of the Ministry of Education (教育部科技委管理學部), deputy head of the Engineering Management Department of Chinese Academy of Engineering (中國工程院工程管理學部), and member of the China Standardization Expert Committee of the General Administration of Quality Supervision, Inspection and Quarantine of China (國家質監總局中國標準化專家委員會). He is currently an academician of the Department of Mechanical and Transportation Engineering of Chinese Academy of Engineering (中國工程院機械與運輸工程學部), academician of the Engineering Management Department of Chinese Academy of Engineering (中國工程院工程管理學部), professor, honourable director of institute of applied mechanics and director of strategic management research centre of Jinan University (暨南大學); president of the Federation of Guangdong Academicians (廣東院士聯合會); and an independent non-executive Director of the Company.
Yu Shiyou	Male, born in March 1956, professor. He graduated from Huazhong University of Science and Technology (華中理工大學) in 1987 with a master's degree, majoring in western economics. He successively served as deputy secretary of the Communist Youth League of Wuhan Camera Shutter Plant (武漢照相機快門廠); associate professor and deputy dean of the economics school of Huazhong University of Science and Technology (華中理工大學); professor, director of international finance and trading department, director of international business department, and deputy dean of Lingnan College, Sun Yat-Sen University (中山大學嶺南學院); director of finance and state-owned assets administration department, assistant to president, standing member of party committee, vice president, deputy party secretary and secretary of commission for discipline inspection of Sun Yat-Sen University. He is currently dean of Lingnan College, Sun Yat-Sen University (中山大學嶺南學院); and an independent non-executive Director of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

Name	Main work experiences
Jin Xuejian	Male, born in July 1966, a member of the Communist Party of China and a senior engineer. Mr. Jin graduated from Huazhong University of Science and Technology in July 1989 with a bachelor's degree in Engineering, and received a master's degree in Business Management Administration in July 2006 from South China University of Technology. He has served as technologist, office secretary, plan dispatcher, deputy director of Shipbuilding Engineering Branch, deputy director of Heavy Industries Branch and deputy manager of Heavy Industries Department of Guangzhou Wenchong Shipyard; manager and vice chief economist of Enterprise Management Planning Department of Guangzhou Wenchong Shipyard Co., Ltd; assistant director of Guangzhou Administration Bureau of China Shipbuilding Industry Group Corporation; assistant president and member of the Party Committee of Guangzhou Shipbuilding Industry Company; discipline inspection commission and supervisory board chairman of CSSC Huangpu Wenchong Shipbuilding Co., Ltd.. Mr. Jin is currently the deputy party secretary, secretary of commission for discipline inspection and chairman of trade union of Guangzhou Shipbuilding Industry Co., Ltd.; and chairman of the supervisory committee of the Company.
Fu Xiaosi	Male, born in July 1959, senior accountant with bachelor's degree, Certified Public Accountant. He graduated from Huazhong University of Science and Technology (華中工學院) in 1986. He served as deputy managing accountant (senior partner) of Zhongqin Wanxin Public Accountants Limited (中勤萬信會計師事務所), chief accountant of Hubei Tri-ring Company Limited (湖北三環股份有限公司), chief accountant of Tri-ring Group, and deputy general manager and chief financial controller of Hubei Jiu Zhi Yang Infrared System Company Limited (湖北久之洋紅外系統股份有限公司) of China Shipbuilding Industry Corporation. He is currently a supervisor of the Company.
Chen Shu	Female, born in July 1954, a senior lawyer with a bachelor's degree in law and graduated from the law school of Sun Yat-sen University in June 1990. She successively served as officer and deputy director of Guangzhou Liwan Justice Bureau, lawyer at Kingpound Law Firm, secretary-general of Guangzhou Lawyer Association, a deputy to the 10th, 11th and 12th National People's Congress; She is currently an advisor on legal affairs of the 13th Guangzhou Municipal Committee of the Chinese People's Political Consultative Conference, executive deputy president and secretary-general of Guangzhou People's Congress System Research Association, independent director of Kingfa Science & Technology Co., Ltd., Wens Foodstuff Group Co., Ltd. and Guangzhou Port Co., Ltd. and an outside director of Guangzhou Yuexiu Holding Limited; a supervisor of the Company.
Mai Rongzhi	Male, born in August 1962, senior engineer (researcher level). He graduated from South China University of Technology (華南工學院) in 1983. He successively served as ship design engineer, head of the outer fitting section, assistant to director and head of the management section, deputy director and director of the second design studio of the assembly branch of Guangzhou Shipyard (廣州造船廠); director of the second design studio and deputy director of the engineering department of the shipbuilding division, director of the ship research institute of the technology centre, assistant to manager and deputy manager of the shipbuilding division, deputy director of the technology centre of the ship design company, deputy chief engineer and head of general engineering office, assistant to general manager and standing deputy director of the technology centre, chief engineer and director of the technology centre of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy party secretary and chairman of labour union of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently director of the science and technology commission of Guangzhou Shipyard International Company Limited (廣船國際有限公司); and an employee supervisor of the Company.
Zhang Shan	Male, born in December 1970, with a bachelor's degree, senior accountant. He started his career in August 1990. He successively served as director of the production protection department of the labour union, head of the enterprise management section of the general management department, assistant to manager of the economy operation department, party secretary of the production support department, party secretary and deputy director of the general office, and secretary to the board of directors of Guangzhou Huangpu Shipyard (廣州黃埔造船廠). He is currently director and party secretary of the enterprise management and planning department of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司); and an employee supervisor of the Company.
Li Zhidong	Male, born in April 1966, senior engineer. He graduated from Shanghai Jiaotong University with a bachelor's degree, majored in ship engineering, in engineering in July 1987 and obtained an MBA degree from CEIBS of Shanghai Jiaotong University in November 1997. He served as head of general office, chief legal advisor, assistant to general manager, board secretary and secretary of Hong Kong company of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently secretary to the Board of the Company.
Hou Zengquan	Male, born in May 1970, university graduate, senior accountant (researcher level), certified public accountant, certified management accountant and certified internal auditor. He graduated from Jinan University (暨南大學) in December 1992, major in accounting. He successively served as assistant to director and director of the finance centre of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司), as well as deputy chief accountant of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently deputy chief accountant and chief financial officer of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

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

(i) Positions held at shareholders

Name	Name of shareholder	Positions held at shareholders	Date of appointment	Date of termination of office
Han Guangde	Guangzhou Ship Industrial Co., Ltd.	Chairman, party secretary	2018.08	Not applicable
Han Guangde	Guangzhou Shipyard Co., Ltd.	Chairman	2018.08	Not applicable
Shi Jun	China State Shipbuilding Corporation Limited	Deputy director	2013.03	Not applicable
Shi Jun	China State Shipbuilding Corporation Limited	Deputy director	2019.10	Not applicable
Jin Xuejian	Guangzhou Ship Industrial Co., Ltd.	Deputy party secretary, secretary of disciplinary committee, chairman of labour union	2019.05	Not applicable
Description of positions held at shareholders				

(ii) Positions held at other entities

Name	Name of other entities	Positions held at other entities	Date of appointment	Date of termination of office
Wang Yichu	BDO China Shu Lun Pan Certified Public Accountants LLP	Partner	2012.12	2020.06
Min Weiguo	Guangdong Nanguo D&S Law Firm	General partner	2014.09	Not applicable
Min Weiguo	Guangzhou D&S Fund Management Firm	Chairman	2016	Not applicable
Min Weiguo	Guangzhou D&S Asset Management Group Limited	Chairman	2014	Not applicable
Liu Renhuai	Jinan University	Professor, academician	1991.11	Not applicable
Liu Renhuai	AviChina Industry & Technology Company Limited	Independent director	2014.06	Not applicable
Liu Renhuai	Guangdong Recyclean Low-carbon Technology Co., Ltd.	Chairman	2013.05	Not applicable
Liu Renhuai	Federation of Guangdong Academicians	President	2018.05	Not applicable
Yu Shiyou	Lingnan College, Sun Yat-Sen University	Dean	2016.05	Not applicable
Yu Shiyou	Lingnan College, Sun Yat-Sen University	Deputy party secretary	2019.06	Not applicable
Fu Xiaosi	Hubei Xingfa Chemical Group Co., Ltd.	Independent director	2015.04	Not applicable
Fu Xiaosi	Guangdong Sunwill Precising Plastic	Independent director	2017.06	Not applicable
Fu Xiaosi	Beidahuang Kenfeng Seed Co., Ltd.	Independent director	2019.04	Not applicable
Chen Shu	Jinfa Technology Co., Ltd	Independent director	2014.05	Not applicable
Chen Shu	Guangdong Wen's Foodstuff Group Co., Ltd	Independent director	2018.12	Not applicable
Chen Shu	Guangzhou Port Co., Ltd	Independent director	2016.12	Not applicable
Chen Shu	Guangzhou Yuexiu Group Ltd. (廣州越秀集團股份有限公司)	Outside director	2016.01	Not applicable
Notes on positions held at other entities				

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

III REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

IV CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Wu Guangjun	Chairman of the Supervisory Committee	Resigned	Personal reason for work
Zhu Zhengfu	External supervisor	Resigned	Personal reason for work
Jin Xuejian	Chairman of the Supervisory Committee	Elected	Supplement
Chen Shu	External supervisor	Elected	Supplement

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

V DETAILS OF STAFF OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(i) Details of staff

Number of existing employees of the Company	24
Number of existing employees of major subsidiaries	15,342
Total number of existing employees	15,366
Number of retired staff who incurred expenses of the Company and major subsidiaries	6,028

Functions

Type of functions	Number of employees
Production staff	9,325
Sales staff	85
Technical staff	3,561
Finance staff	141
Administrative staff	2,254
Total	15,366

Educational Background

Educational background	Number of employees
Master's degree or above	313
Bachelor's degree	4,572
Associate degree	3,109
Secondary technical graduates and below	7,372
Total	15,366

(ii) Remuneration policies

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

(iii) Training plan

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

(iv) Labour outsourcing

Total working hours for labour outsourcing	40,140,000 hours
Total remuneration paid for labour outsourcing	RMB2,213,290,000

SECTION VIII CORPORATE GOVERNANCE

I INFORMATION ON CORPORATE GOVERNANCE

(i) Corporate governance

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

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

Board of Directors

The Board comprises 11 directors, including 6 executive directors, 1 non-executive director and 4 independent non-executive directors. Members of the Board have different industry backgrounds and expertise in corporate governance, finance and accounting, investment strategies, maritime engineering and equipment and legal affairs. Details of the members of the Board are set out in the section headed "Directors, supervisors, senior management and staff" in this report.

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

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

In 2019, the Company held a total of 13 Board meetings, including 2 on-site meetings and 11 meetings held by communication equipment, issued 4 regular reports and 78 temporary announcements, conveyed related information to the market such as operational conditions, market conditions, important resolutions passed at meetings, significant personnel changes and connected transaction in a timely manner. All resolutions considered at the Board meetings during the year 2019 had been submitted to the party organisation and the general manager office meeting of the Company for consideration and decision-making before submitted to the Board for discussion, and the relevant opinions were carefully listened. No fault has been made in respect of the announcements disclosed in respect of resolutions considered and approved at the Board meetings during the year. The decision-making procedures and the relevant decisions are in compliance with the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Articles of Association and the requirements of applicable laws and regulations, and the resolutions passed are legal and valid.

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

SECTION VIII CORPORATE GOVERNANCE

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

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

Directors

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

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

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organizations in relation to securities transactions by directors, supervisors and senior management. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code of conduct for the securities trading of shares by the Company's directors. The Company has made specific inquiries of all directors and supervisors and they have confirmed that they have fully complied with the Model Code, and have not traded in the shares of the Company during the period before the publication of price-sensitive information such as periodic reports, announcements, profit warning, and other significant events announcements in 2019.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended 31 December 2019 in order to give a true and fair view of the Company and the Group's financial position and results of operations.

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

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

In addition, during the Reporting Period, there was a change of session of the Board and independent non-executive directors of the Company, details of which are set out below. The Company has received annual confirmation of independence issued by Wang Yichu, Min Weiguo, Liu Renhuai and Yu Shiyou, all independent non-executive Directors, in accordance with Rule 3.13 of the Listing Rules, and consider them independent as at the date of this report. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Listing Rules.

(ii) Specialized committees under the Board

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

1 Audit Committee

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

In 2019, the Audit Committee under the ninth session of the Board held a total of 12 meetings, at which they listened to the financial reports, financial position, internal control self-assessment reports for 2018, the first quarter of 2019, the first half of 2019 and the third quarter of 2019 passed resolutions on these matters following thorough discussion and reported in time to the Board. Wang Yichu, Liu Renhuai and Yu Shiyou attended the above meetings.

SECTION VIII CORPORATE GOVERNANCE

In addition, in accordance with the Implementation Rules for the Audit Committee, the Audit Committee communicated timely with the auditors, reviewed the financial statements of 2019 prepared by the Company before and after the auditors visits the Company and after the auditors have prepared their reports and formed a written opinion.

2 *Nomination Committee*

The Nomination Committee is principally responsible for selecting the candidates for Directors and managers, determining selection criterion and procedures and making recommendations to the Board. As at the end of the Reporting Period, members of the Nomination Committee were Min Weiguo (chairman), Wang Yichu, both independent non-executive Directors, and Shi Jun, a non-executive Director.

In 2019, there was no meeting held by the Nomination Committee under the ninth session of the Board.

3 *Emolument and Examination Committee*

The Emolument and Examination Committee is responsible for developing assessment standards for senior management, carrying out assessment and making recommendations, as well researching and reviewing the emolument policies and programs for senior management. As at the end of the Reporting Period, members of the Emolument and Examination Committee were Yu Shiyong (chairman), Liu Renhuai and Min Weiguo, all independent non-executive Directors.

In 2019, the Emolument and Examination Committee under the ninth session of the Board held one meeting, at which the resolutions on the remuneration of senior management of the Company for 2019 and the election of chairman of the Emolument and Examination Committee under the ninth session of the Board were considered. All members attended the meeting.

4 *Strategy Committee*

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

In 2019, the Strategy Committee under the ninth session of the Board held one meeting, at which presentation of the strategic development and capital operation of the Company were listened to. All members attended the meeting.

(iii) Corporate Governance Function

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

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

(iv) SHAREHOLDERS AND GENERAL MEETINGS

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

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

1 *Policy on Communication with Shareholders*

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

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

2 *Shareholders' Rights*

Ways for shareholders to convene extraordinary general meeting

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

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

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

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

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

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

SECTION VIII CORPORATE GOVERNANCE

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

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

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

In order to make enquiries about/inspect the aforesaid related information or requesting documents, shareholders shall make the request through the Company's address in Mainland China (15/F Shipping Building, 137 Gexin Road, Haizhu District, Guangzhou, the People's Republic of China) or Hong Kong (54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong), and provide the Company with written documents evidencing the class and number of shares of the Company held by them. After checking and verifying shareholders' identity, the Company will provide related information or documents.

Procedures for putting forward proposals at general meeting

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

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

3 The Company's Independence from the Controlling Shareholder

In 2019, the controlling shareholder of the Company had never been involved in any acts of bypassing the general meeting or interfering, whether directly or indirectly, with the Company's decision-making or operation. The Company and CSSC are independent of each other in terms of personnel, assets, finance, organization and business.

The connected transactions between the Company and CSSC were carried out in strict compliance with the listing rules of the relevant stock exchanges with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors were appointed to express their opinions. It is the policy of the Company and CSSC to conduct monthly monitoring of continuing connected transactions and report to the Board on a monthly basis and to Directors on the safety of connected deposits on an annual basis. The total value of continuing connected transactions in 2019 did not exceed the cap approved at the general meeting.

II GENERAL MEETINGS

Meeting	Date of meeting	Index for details on websites designated for publishing resolutions	Date of disclosure
Annual general meeting of 2018	2019.05.29	Announcement on website of the Shanghai Stock Exchange and the Stock Exchange, website of the Company	2019.05.30
First extraordinary general meeting of 2019	2019.10.23	Announcement on website of the Shanghai Stock Exchange and the Stock Exchange, website of the Company	2019.10.24
Second extraordinary general meeting of 2019	2019.12.24	Announcement on website of the Shanghai Stock Exchange and the Stock Exchange, website of the Company	2019.12.25

Description of general meetings

- (i) 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 controlling 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 Ms. Chen Shu as a supervisor of the Company were considered.
- (ii) The First Extraordinary General Meeting of 2019: the Resolution on the increase of registered capital and shareholding structure adjustments of GSI, a subsidiary, and the related transaction, the Resolution on the increase of registered capital and shareholding structure adjustments of Huangpu Wenchong, a subsidiary, and the related transaction, the Resolution on the adjustments to the Major Asset Restructuring and such adjustments that constituted as significant adjustments, the Resolution on the Major Asset Disposal that constituted a related transaction, the Resolution on the specifics of the Major Asset Disposal and the related transaction, the Resolution that the Major Asset Disposal of CSSC Offshore & Marine Engineering (Group) Company Limited complies with relevant laws and regulations, Resolution on the Report on the Major Asset Disposal and the Connected Transaction of CSSC Offshore & Marine Engineering (Group) Company Limited (Draft) (Amendment) and its excerpt, the Resolution on signing the Conditional Agreement on the Acquisition of Partial Equity Interests in Guangzhou Shipyard International Company Limited by China State Shipbuilding Corporation Limited by way of Issuance of Shares to CSSC Offshore & Marine Engineering (Group) Company Limited, the Resolution on signing the Supplemental Agreement to the Conditional Agreement on the Acquisition of Partial Equity Interests in Guangzhou Shipyard International Company Limited by China State Shipbuilding Corporation Limited by way of Issuance of Shares to CSSC Offshore & Marine Engineering (Group) Company Limited, the Resolution that the Major Asset Disposal complies with the requirements of Article 4 of the Provisions on Issues Concerning Regulating the Material Asset Restructuring of Listed Companies, the Resolution on the Major Asset Disposal not constituting as restructuring and listing under Article 13 of the Administrative Measures for the Material Asset Reorganisation of Listed Companies, the Resolution on relevant entities involved in the Restructuring are not subject to restriction from participating major asset restructuring by any listed companies pursuant to Article 13 of the Interim Provisions on Strengthening the Supervision over Abnormal Stock Trading Related to the Material Asset Restructuring of Listed Companies, the Resolution that the Major Asset Disposal complies with Article 11 of the Administrative Measures for the Material Asset Reorganisation of Listed Companies, the Resolution on the pricing basis of assets under the Major Asset Disposal and its fairness and reasonableness, the Resolution on the approval of the audit report, pro forma report and valuation report in relation to the Major Asset Disposal, the Resolution on the independence of the valuer, the reasonableness of the assumption of the valuation, the relevance of valuation methods and valuation objectives, as well as the fairness of estimated pricing, the Resolution on the completeness and compliance of the legal procedures of the restructuring and the validity of the submitted legal documents, the Resolution on the non-exercise of Right of First Refusal and the related transaction, the Resolution on the general meeting granting full authorisation to the board of directors and the management to deal with matters relating to the Major Asset Disposal and the Resolution on the election of Mr. Jin Xuejian as a supervisor of the Company were reviewed and considered.
- (iii) The Second Extraordinary General Meeting of 2019: the resolution on the revision of certain articles of the Articles of Association and the resolution on the connected transaction in relation to signing the Compensation Agreement for Acquisition and Storage of Parcel One of Liwan Plant in Guangzhou Shipyard International by the Company's controlling subsidiary were reviewed and considered.

SECTION VIII CORPORATE GOVERNANCE

III PERFORMANCE OF DUTIES BY DIRECTORS

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

Name of Directors	Independent or not	Required attendance during the year	Attendance at Board meetings					Absence from two consecutive meetings or not	Attendance at general meetings
			Attendance in person	Attendance by communication equipment	Attendance by proxy	Number of absence			
Han Guangde	No	13	2	11	0	0	No	2	
Chen Zhongqian	No	13	0	11	2	0	No	1	
Chen Liping	No	13	2	11	0	0	No	3	
Sheng Jigang	No	13	1	11	1	0	No	1	
Xiang Huiming	No	13	1	11	1	0	No	1	
Chen Ji	No	13	1	11	1	0	No	0	
Shi Jun	No	13	1	11	1	0	No	0	
Wang Yichu	Yes	13	2	11	0	0	No	3	
Min Weiguo	Yes	13	2	11	0	0	No	2	
Liu Renhui	Yes	13	1	11	1	0	No	0	
Yu Shiyou	Yes	13	2	11	0	0	No	3	
Number of Board meetings during the year					13				
Including: Number of on-site meetings					2				
Number of meetings convened by communication equipment					11				
Number of meetings both on-site and by communication equipment					0				

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

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

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

VI OTHERS – INSIDERS REGISTRATION MANAGEMENT

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

VII CONCLUSION

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

I STATEMENT ON INTERNAL CONTROL

The Company has established an effective internal control system in accordance with the Guidelines for Internal Control of Listed Companies issued by Shanghai Stock Exchange and the listing rules of the Stock Exchange. The Board evaluates the effectiveness of internal control system once a year. During the Reporting Period, the Company completed internal control self-assessment report for 2019. The Board has evaluated and validated the risk management and internal control system of the Group and has not found any violation of laws, regulations and rules or any significant deficiencies in compliance monitoring and risk management or any major mistakes. The Board considers the risk management and internal control system of the Group effective.

The full text of the Internal Control Self-Assessment Report for 2019 had been uploaded to the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 27 March 2020.

II AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

WUYIGE has conducted independent audit of the effectiveness of the Company's internal control for 2019 and issued an internal control auditors' report without qualifying opinions. For details, please refer to the internal control auditors' report of the Company disclosed on the website of the SSE (www.sse.com.cn) on 27 March 2020.

FINANCIAL REPORT



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AUDITORS' REPORT

WUYIGE Shen Zi [2020] No. 1-01658

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

I. AUDITORS' OPINION

We have audited the financial statements of CSSC Offshore & Marine Engineering (Group) Company Limited ("COMEC" or the "Group"), which comprise the consolidated and the Company's balance sheets as at 31 December 2019, the consolidated and the Company's income statements, the consolidated and the Company's cash flows statements and the consolidated and the Company's statements of changes in owners' equity for 2019 and the notes to the financial statements.

In our opinion, the accompanying financial statements of COMEC present fairly, in all material aspects, COMEC's and consolidated financial position as at 31 December 2019 and its and consolidated results of operations and cash flows for the year 2019 in accordance with the Accounting Standards for Business Enterprises.

II. BASIS FOR AUDITORS' OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of COMEC in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our auditors' opinion.

III. KEY AUDIT MATTERS

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

1. Recognition of revenue from the fulfilment of obligations

1. Description of the Matter

The Group principally engages in building of large ships and offshore engineering products, ship maintenance. As shown in Note IV.(29), the Group adopts the input method(i.e. determining the appropriate progress of performance based on the total actual contract cost incurred in proportion to the total expected contract cost) on shipbuilding and offshore engineering products to recognize the revenue based on the progress of performance. As shown in Note VI.(49), the Group recognizes a revenue of RMB 18.587 billion, representing 85.15% of operating income. The amount and its proportion to the operating income are relatively significant and involve accounting estimates of the Management.

Revenue recognized by the adoption of the input method involves significant judgement and estimates of the Management. Such estimates are affected by the impact of future market and the judgement on economic situation, thus may affect whether the Group recognizes revenue revenue based on the progress of performance during the appropriate Reporting Period. As such, we considered the revenue based on contract performance progress as a key audit matter.

2. *How the matter is addressed in auditing*

Our key procedures include:

- (1) We understood and tested the policies, procedures, methods and relevant internal controls for the determination of expected total contract revenue and total cost;
- (2) We compared the difference between the actual cost and target cost of completed projects, the difference between the progress of performance and the actual progress of production of incompleting projects, in order to identify and understand the reason for the differences, and judge whether there exists fraud of the Management;
- (3) We checked the implementation of contracts such as contracts under construction and their settlement;
- (4) We reviewed the reasonableness of projects under construction expected total costs;
- (5) We tested the progress of the performance of projects under construction and the relevant data as its basis to confirm the accuracy of the estimate;
- (6) In accordance with the audit procedures for inventories, we conducted on-site counting and cut-off tests for contracts uncompleted as at the end of the year and checked whether the accounting of the incurred contract cost was accurate.

2. **Provision for impairment of inventories**

1. *Description of the Matter*

The Group had provision for impairment of inventories in relation to the contract performance cost, contracts of ship and offshore engineering products checking at the end of the period. If the expected total contract cost exceeds the total contract revenue, it will exceed partial provision for impairment of inventories; For products and materials, provision for impairment is prepared in accordance with the difference between the net realizable value and the net book value. As shown in Note VI(7), provision for impairment of inventories and the contract performance cost of the Group amounted to RMB333 million for the year ended 31 December 2019.

As the provision for impairment of inventories involves a significant amount and requires the Management to consider the trend of changes in sales price and the future market, thus involving significant judgement and estimates of the Management. As such, we considered it as a key audit matter.

2. *How the matter is addressed in auditing*

Our key procedures include:

- (1) We understood the internal control system in relation to inventories, the preparation process of the expected total cost of ships and offshore engineering products and assessed their design and implementation;
- (2) We implemented inventory monitoring to check inventories' number, condition, and so on;
- (3) We acquired statement of provision for impairment of inventories, conducted impairment test of inventories, checked whether it is conducted in accordance with the accounting policy, and analysed whether the provision for impairment of inventory is sufficient;
- (4) We analysed the reasonableness of expected cost of ships and offshore engineering products and compared them with the actual cost of products of the same type completed in previous periods to judge whether there is significant discrepancy;
- (5) We checked product sales contracts to justify the reasonableness of expected total revenue.

3. We recognized revenue from the compensation for relocation, production suspension and storage of land parcel.

1. Description of the Matter

- (1) On 26 April 2019, Guangzhou Wenchong Shipyard Co., Ltd (“Wenchong Shipyard”), a subsidiary of the Group, and Guangzhou Wenchong Properties Co., Ltd. (renamed as Guangzhou Wenchong Industrial Co., Ltd. on 30 July 2019, “Wenchong Industrial”) signed the Wenchong Shipyard Phase I Relocation Agreement (“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. Wenchong Shipyard completed the relocation of the first phase of site on 26 April 2019.
- (2) On 18 November 2019, Guangzhou Shipyard International Company Limited (“GSI”), a subsidiary of the Group, and Guangzhou Shipyard Shipping Co., Ltd. (“GS Shipping”) signed the Compensation Agreement for Acquisition and Storage of Parcel One of Liwan Plant in Guangzhou Shipyard International (《廣船國際荔灣廠區收儲地塊一補償協議》), pursuant to which, GS Shipping paid GSI the land acquisition and storage fee of RMB1.427 billion for the Guangzhou Shipyard International Liwan land parcel.

As shown in Note VI(61) “Non-operating income” of the report, Wenchong Shipyard recognised a net relocation income of RMB999 million this year, and GSI recognised a net land acquisition and storage income of RMB1.279 billion this year.

As relocation compensation and land acquisition and storage compensation are special matters and have a significant impact on the Group’s profit and loss for the year, we have listed them as key audit matters.

2. How the matter is addressed in auditing

Our key procedures include:

- (1) We checked the compensation agreement signed by parties to the transaction;
- (2) We checked on-site whether the relocation area has stopped relevant production and operation activities in accordance with the requirements under the Relocation Agreement;
- (3) We interviewed with relevant personnel of the counterparty Wenchong Industrial and its subsidiary Wenchong Shipyard, to understand the background, plan, progress of the relocation; interview with relevant personnel of GS Shipping and GSI and the related parties, China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司) and CITIC Pacific China Holdings Limited;
- (4) We checked the announcements of the relevant departments of Guangzhou City regarding the listing of the land parcel;
- (5) We analyzed and review the pricing basis of parties to the transaction;
- (6) We checked the compensation collection;
- (7) We checked whether the relocation cost expenditure, relocation income recognition and account treatment relating to the compensation are correct;
- (8) We verified the relevant content of the agreement;
- (9) We checked the accuracy and completeness of the relevant disclosure in the notes to the financial statements of the above matters.

IV. OTHER INFORMATION

The management of COMEC (the management) is responsible for the other information. The other information comprises the information included in the 2019 annual report of COMEC, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REPORT

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

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

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

WUYIGE Certified Public Accountants LLP

Beijing, the PRC

Certified Public Accountant of China:

Yang Xin
(Project Partner)

Certified Public Accountant of China:

Xu Zongliang

Certified Public Accountant of China:

Xiao Zuguang

27 March 2020

CONSOLIDATED BALANCE SHEET

31 December 2019

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

Unit: Yuan Currency: RMB

Item	Notes	31 December 2019	31 December 2018
Current assets:			
Cash at bank and on hand	VI(1)	14,317,366,099.93	10,337,887,158.50
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading	VI(2)	48,785,784.80	11,685,155.01
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	VI(3)	633,564,863.60	130,810,712.06
Accounts receivable	VI(4)	2,350,380,440.10	2,562,295,160.42
Receivable financing			
Prepayments	VI(5)	2,339,261,199.21	3,020,857,780.23
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VI(6)	1,822,048,699.16	326,086,350.28
Including: Interest receivable		8,794,796.77	46,907,817.53
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	VI(7)	4,344,806,992.50	4,955,993,857.79
Contract assets	VI(8)	6,336,385,363.12	6,860,770,802.28
Assets held for sale			
Non-current assets due within one year	VI(9)	692,000,000.00	463,415,968.00
Other current assets	VI(10)	350,850,895.77	365,378,116.05
Total current assets		33,235,450,338.19	29,035,181,060.62
Non-current assets:			
Loans and advances granted			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables	VI(11)	2,703,137,274.56	1,976,516,046.20
Long-term equity investments	VI(12)	753,695,038.72	740,935,298.11
Investments in other equity instruments	VI(13)	71,248,734.49	63,403,225.93
Other non-current financial assets			
Investment properties	VI(14)	20,993,939.36	21,622,651.52
Fixed assets	VI(15)	11,439,928,689.69	12,046,436,020.38
Construction in progress	VI(16)	1,181,944,326.01	762,567,676.87
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VI(17)	149,351,363.01	
Intangible assets	VI(18)	2,072,573,536.99	2,084,830,278.97
Development expenses			
Goodwill	VI(19)	144,231,195.67	144,231,195.67
Long-term prepaid expenses	VI(20)	75,592,524.66	79,285,603.23
Deferred tax assets	VI(21)	377,902,704.29	440,083,496.90
Other non-current assets	VI(22)	78,019,489.34	80,251,531.97
Total non-current assets		19,068,618,816.79	18,440,163,025.75
Total assets		52,304,069,154.98	47,475,344,086.37

CONSOLIDATED BALANCE SHEET

31 December 2019

Item	Notes	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings	VI(23)	6,147,082,148.56	4,304,387,255.88
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading	VI(24)	221,737,672.75	431,894,056.78
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	VI(25)	3,063,415,001.67	2,730,396,298.20
Accounts payable	VI(26)	8,687,397,898.75	7,958,832,249.26
Advances from customers			
Contract liabilities	VI(27)	8,488,146,386.62	7,112,391,961.78
Securities sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	VI(28)	40,446,901.64	41,351,166.51
Taxes payable	VI(29)	72,234,563.79	48,140,024.18
Other payables	VI(30)	344,881,770.61	336,922,424.57
Including: Interest payable		35,332,096.80	16,734,825.58
Dividends payable		394,042.49	304,042.49
Fee and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	VI(31)	2,281,928,067.24	4,414,000,000.00
Other current liabilities	VI(32)	63,237,341.88	182,190,818.20
Total current liabilities		29,410,507,753.51	27,560,506,255.36
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	VI(33)	6,049,757,000.00	4,339,619,500.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VI(34)	110,198,081.27	
Long-term payables	VI(35)	101,816,823.07	99,370,000.00
Long-term employee benefits payable	VI(36)	229,389,012.33	248,554,297.66
Estimated liabilities	VI(37)	694,854,560.21	802,016,709.10
Deferred income	VI(38)	150,307,309.25	59,916,128.16
Deferred tax liabilities	VI(21)	9,514,927.47	8,950,648.02
Other non-current liabilities			
Total non-current liabilities		7,345,837,713.60	5,558,427,282.94
Total liabilities		36,756,345,467.11	33,118,933,538.30

CONSOLIDATED BALANCE SHEET

31 December 2019

Item	Notes	31 December 2019	31 December 2018
Owners' equity (or shareholders' interests):			
Paid-in capital (or share capital)	VI(39)	1,413,506,378.00	1,413,506,378.00
Other equity instruments Including: Preference shares Perpetual bonds			
Capital reserve	VI(40)	9,418,941,779.55	9,549,580,748.34
Less: Treasury shares			
Other comprehensive income	VI(41)	-41,694,917.30	-45,615,426.57
Special reserve	VI(42)	443,910.04	1,226,639.50
Surplus reserve	VI(43)	962,452,773.01	962,441,825.31
Provision for general risks			
Undistributed profit	VI(44)	-1,605,393,084.53	-2,153,702,475.37
Total equity (or shareholders' interests) attributable to shareholders of the Company		10,148,256,838.77	9,727,437,689.21
Minority interests		5,399,466,849.10	4,628,972,858.86
Total equity (or shareholders' interests)		15,547,723,687.87	14,356,410,548.07
Total liabilities and equity (or shareholders' interests)		52,304,069,154.98	47,475,344,086.37

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

BALANCE SHEET OF THE COMPANY

31 December 2019

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

Unit: Yuan Currency: RMB

Item	Notes	31 December 2019	31 December 2018
Current assets:			
Cash at bank and on hand	XVII(1)	113,638,189.16	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	XVII(2)	40,084,782.69	46,428,670.20
Receivable financing			
Prepayments	XVII(3)	6,585,840.89	2,100,230.64
Other receivables	XVII(4)	8,852,312.88	9,520,031.06
Including: Interest receivable		199,136.97	558,431.55
Dividends receivable			
Inventories	XVII(5)	78,044,136.16	98,897,393.27
Contract assets			
Assets held for sale			
Non-current assets due within one year	XVII(6)	270,000,000.00	
Other current assets	XVII(7)	244,609,360.00	761,163,163.71
Total current assets		761,814,621.78	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	XVII(8)	600,000,000.00	
Long-term equity investments	XVII(9)	7,873,786,253.99	7,921,435,986.83
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	XVII(10)	447,436,065.79	70,839,970.49
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets	XVII(11)	1,896,234.13	
Intangible assets	XVII(12)	10,161,107.29	10,468,726.74
Development expenses			
Goodwill			
Long-term prepaid expenses	XVII(13)	720,906.87	
Deferred tax assets	XVII(14)	20,000,000.00	20,000,000.00
Other non-current assets	XVII(15)	436,902,001.36	633,860,105.78
Total non-current assets		9,390,902,569.43	8,656,604,789.84
Total assets		10,152,717,191.21	9,674,085,399.77

BALANCE SHEET OF THE COMPANY

31 December 2019

Item	Notes	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings	XVII(16)	200,000,000.00	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	XVII(17)	179,911,996.18	58,845,591.58
Advances from customers			
Contract liabilities	XVII(18)	59,818,924.73	65,497,566.97
Employee benefits payable	XVII(19)		
Taxes payable	XVII(20)	2,802,092.60	3,217,292.29
Other payables	XVII(21)	53,596,763.60	41,994,848.71
Including: Interest payable		565,277.78	731,881.94
Dividends payable		304,042.49	304,042.49
Liabilities held for sale			
Non-current liabilities due within one year	XVII(22)	200,898,274.92	
Other current liabilities	XVII(23)	30,817.60	77,418.16
Total current liabilities		697,058,869.63	819,632,717.71
Non-current liabilities:			
Long-term borrowings	XVII(24)	600,000,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	XVII(25)	1,096,162.49	
Long-term payables	XVII(26)	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		700,466,162.49	99,370,000.00
Total liabilities		1,397,525,032.12	919,002,717.71
Owners' equity (or shareholders' interests):			
Paid-in capital (or share capital)	XVII(27)	1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	XVII(28)	6,147,927,729.10	6,147,927,729.10
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	XVII(29)	472,681,889.15	472,670,941.45
Undistributed profit	XVII(30)	721,076,162.84	720,977,633.51
Total equity (or shareholders' interests)		8,755,192,159.09	8,755,082,682.06
Total liabilities and equity (or shareholders' interests)		10,152,717,191.21	9,674,085,399.77

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED INCOME STATEMENT

From January to December 2019

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
I. Total operating income		21,829,002,963.77	19,213,596,394.03
including: Operating income	VI(49)	21,829,002,963.77	19,213,596,394.03
Interest income		-	-
Premium earned		-	-
Fee and commission income		-	-
II. Total operating costs		22,765,213,622.02	20,922,904,645.42
Including: Operating cost	VI(49)	20,959,294,954.13	19,262,469,746.28
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	VI(50)	66,082,026.09	65,299,430.11
Selling expenses	VI(51)	136,934,171.32	86,255,214.60
Administrative expenses	VI(52)	900,958,609.80	892,844,116.09
Research and development expenses	VI(53)	557,782,189.67	497,562,636.51
Finance cost	VI(54)	144,161,671.01	118,473,501.83
Including: Interest expenses		364,243,854.91	370,303,935.69
Interest income		229,368,563.22	235,693,676.79
Add: Other income	VI(55)	10,978,489.85	24,448,764.78
Investment income (loss expressed with "-")	VI(56)	32,402,655.69	-123,820,055.10
Including: Income from investment in associates and joint ventures		11,830,229.89	-8,308,324.83
Derecognition income of financial assets measured at amortised cost		-	-
Exchange gain (loss expressed with "-")		-	-
Net gain on exposure hedging (loss expressed with "-")		-	-
Gain on change in fair value (loss expressed with "-")	VI(57)	-79,586,877.26	-423,444,863.37
Loss on impairment of credit (loss expressed with "-")	VI(58)	-16,832,835.84	-39,371,984.45
Loss on impairment of assets (loss expressed with "-")	VI(59)	-309,576,180.58	-677,141,653.24
Gains from disposal of asset (loss expressed with "-")	VI(60)	-78,454.75	-1,303,386.17
III. Operating profit (loss expressed with "-")		-1,298,903,861.14	-2,949,941,428.94
Add: Non-operating income	VI(61)	2,294,399,430.83	553,503,531.77
Less: Non-operating expenses	VI(62)	4,410,835.97	63,787,435.36
IV. Total profit (total loss expressed with "-")		991,084,733.72	-2,460,225,332.53
Less: Income tax expense	VI(63)	62,538,448.60	13,924,817.73
V. Net profit (net loss expressed with "-")		928,546,285.12	-2,474,150,150.26
(i) By continuity of operations		-	-
1. Net profit from continuing operations (net loss expressed with "-")		928,546,285.12	-2,474,150,150.26
2. Net profit from discontinued operations (net loss expressed with "-")		-	-
(ii) By ownership		-	-
1. Net profit attributable to shareholders of the Company (net loss expressed with "-")		548,320,338.54	-1,869,014,160.08
2. Gain or loss attributable to minority interests (net loss expressed with "-")		380,225,946.58	-605,135,990.18

CONSOLIDATED INCOME STATEMENT

From January to December 2019

Item	Notes	2019	2018
VI. Net other comprehensive income after tax	<i>V(64)</i>	5,901,365.91	-740,992.56
(I) Net other comprehensive income after tax attributable to owners of the Company		3,920,509.27	-2,864,091.79
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss		3,577,517.41	-1,421,831.33
1. Change in remeasurement of defined benefit plans		-4,538,169.27	-
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		8,115,686.68	-1,421,831.33
4. Change in fair value of own credit risk		-	-
(ii) Other comprehensive income that will be subsequently reclassified to profit or loss		342,991.86	-1,442,260.46
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		342,991.86	-1,442,260.46
9. Others		-	-
(II) Net other comprehensive income after tax attributable to minority interests		1,980,856.64	2,123,099.23
VII. Total comprehensive income		934,447,651.03	-2,474,891,142.82
(I) Total comprehensive income attributable to owners of the Company		552,240,847.81	-1,871,878,251.87
(II) Total comprehensive income attributable to minority interests		382,206,803.22	-603,012,890.95
VIII. Earnings per share:		-	-
(I) Basic earnings per share (RMB/share)		0.3879	-1.3223
(II) Diluted earnings per share (RMB/share)		0.3879	-1.3223

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

INCOME STATEMENT OF THE COMPANY

From January to December 2019

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
I. Operating income	XVII(34)	178,594,000.74	207,969,649.39
Less: Operating cost	XVII(34)	168,432,508.85	221,503,003.20
Taxes and surcharges	XVII(35)	3,086,392.39	2,112,282.31
Selling expenses	XVII(36)	2,303,908.23	3,724,331.10
Administrative expenses	XVII(37)	33,054,870.36	21,819,871.85
Research and development expenses	XVII(38)	-	625,000.00
Finance cost	XVII(39)	-27,870,266.44	-26,863,462.00
Including: Interest expenses		25,944,447.57	10,735,743.06
Interest income		53,806,498.36	38,396,447.96
Add: Other income	XVII(40)	158,972.40	114,028.44
Investment income (loss expressed with "-")	XVII(41)	268,645.02	-10,099,639.37
Including: Income from investment in associates and joint ventures		2,838,844.99	-10,099,639.37
Derecognition income of financial assets measured at amortised cost		-	-
Net gain on exposure hedging (loss expressed with "-")		-	-
Gain on change in fair value (loss expressed with "-")		-	-
Credit impairment loss (loss expressed with "-")	XVII(42)	-413,741.54	-1,660,722.40
Asset impairment loss (loss expressed with "-")	XVII(43)	-	3,340,528.00
Asset disposal gain (loss expressed with "-")	XVII(44)	171,396.31	-
II. Operating profit (loss expressed with "-")		-228,140.46	-23,257,182.40
Add: Non-operating income	XVII(45)	937,754.03	23,927.58
Less: Non-operating expenses	XVII(46)	600,136.54	80,038.05
III. Total profit (total loss expressed with "-")		109,477.03	-23,313,292.87
Less: Income tax expense		-	-
IV. Net profit (net loss expressed with "-")		109,477.03	-23,313,292.87
(i) Net profit from continuing operations (net loss expressed with "-")		109,477.03	-23,313,292.87
(ii) Net profit from discontinued operations (net loss expressed with "-")		-	-
V. Net other comprehensive income after tax			
(i) Other comprehensive income that may not be subsequently reclassified to profit and 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 will be subsequently 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		109,477.03	-23,313,292.87
VII. Earnings per share:			
(i) Basic earnings per share (RMB/share)		-	-
(ii) Diluted earnings per share (RMB/share)		-	-

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED CASH FLOW STATEMENT

From January to December 2019

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		22,690,616,089.82	16,923,312,942.46
Net increase in deposits from customers and deposits from other banks		-	-
Net increase in loans from central bank		-	-
Net increase in placements from other financial institutions		-	-
Cash receipts of premium for direct insurance contracts		-	-
Net cash received from reinsurance business		-	-
Net increase in deposits from insurance policy holders and investment		-	-
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		1,077,425,452.52	2,342,160,714.55
Other cash receipts relating to operating activities	VI(73)	2,592,935,993.75	621,756,406.29
Sub-total of cash inflows from operating activities		26,360,977,536.09	19,887,230,063.30
Cash paid for goods and services		19,356,192,281.32	18,016,394,572.45
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 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		2,238,441,280.91	2,117,084,358.28
Payments of taxes		197,499,866.38	157,091,811.24
Other cash payments relating to operating activities	VI(73)	833,290,106.52	1,141,569,455.56
Sub-total of cash outflows from operating activities		22,625,423,535.13	21,432,140,197.53
Net cash flow from operating activities		3,735,554,000.96	-1,544,910,134.23
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		900,000,000.00	999,425,000.00
Cash receipts from investment income		36,541,732.71	14,298,810.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		749,425.99	847,560.03
Net cash received from disposal of subsidiaries and other business units		-	119,781.64
Other cash receipts relating to investing activities	VI(73)	4,074,104,657.87	894,996,962.96
Sub-total of cash inflows from investing activities		5,011,395,816.57	1,909,688,115.43
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		870,294,161.46	785,467,723.81
Cash paid for investments		929,210,860.24	892,033,674.31
Net increase in pledged loans		-	-
Net cash paid for acquisition of subsidiaries and other business units		990,000.00	-
Other cash payments relating to investing activities	VI(73)	5,995,598,386.76	2,024,548,411.59
Sub-total of cash outflows from investing activities		7,796,093,408.46	3,702,049,809.71
Net cash flow from investing activities		-2,784,697,591.89	-1,792,361,694.28

CONSOLIDATED CASH FLOW STATEMENT

From January to December 2019

Item	Notes	2019	2018
III. Cash flows from financing activities:			
Cash receipts from receiving investments		1,200,000.00	4,801,010,000.00
Including: Cash received by subsidiaries from receiving investments made by minority interest		1,200,000.00	1,010,000.00
Cash receipts from borrowings obtained		16,262,450,494.07	9,900,757,500.00
Other cash receipts relating to financing activities	VI(73)	253,000,000.00	116,790,000.00
Sub-total of cash inflows from financing activities		16,516,650,494.07	14,818,557,500.00
Cash paid for repayment of debts		14,929,331,399.85	14,206,367,596.69
Cash paid for dividends, profit distribution or interest expenses		377,214,387.52	431,085,601.47
Including: Dividends and profits paid by subsidiaries to minority interests		-	61,526.88
Other cash payments relating to financing activities	VI(73)	19,067,561.81	1,003,400.00
Sub-total of cash outflows from financing activities		15,325,613,349.18	14,638,456,598.16
Net cash flow from financing activities		1,191,037,144.89	180,100,901.84
IV. Effect of change in foreign exchange rate on cash and cash equivalents		4,781,881.94	59,404,170.35
V. Net increase in cash and cash equivalents		2,146,675,435.90	-3,097,766,756.32
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		10,683,490,790.99	8,536,815,355.09

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CASH FLOW STATEMENT OF THE COMPANY

From January to December 2019

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		207,869,540.30	228,310,357.17
Cash received from tax refund		–	–
Other cash receipts relating to operating activities	XVII(52)	37,823,455.64	22,705,205.23
Sub-total of cash inflows from operating activities		245,692,995.94	251,015,562.40
Cash paid for goods and services		134,448,686.10	189,111,561.88
Cash paid to and on behalf of employees		32,847,172.06	33,800,636.87
Payments of taxes		11,721,247.24	4,666,833.89
Other cash payments relating to operating activities	XVII(52)	57,794,426.68	32,644,854.60
Sub-total of cash outflows from operating activities		236,811,532.08	260,223,887.24
Net cash flow from operating activities		8,881,463.86	-9,208,324.84
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		47,831,683.24	
Cash receipts from investment income		86,694.62	669,528.43
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	–
Net cash received from disposal of subsidiaries and other business units		–	–
Other cash receipts relating to investing activities	XVII(52)	1,064,538,924.97	956,513,027.80
Sub-total of cash inflows from investing activities		1,112,457,302.83	957,182,556.23
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		300,224,507.17	768,301.67
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	XVII(52)	1,160,000,000.00	1,370,023,184.47
Sub-total of cash outflows from investing activities		1,460,224,507.17	1,400,791,486.14
Net cash flow from investing activities		-347,767,204.34	-443,608,929.91
III. Cash flows from financing activities:			
Cash receipts from receiving investments		–	–
Cash receipts from borrowings obtained		1,000,000,000.00	650,000,000.00
Other cash receipts relating to financing activities	XVII(52)	–	–
Sub-total of cash inflows from financing activities		1,000,000,000.00	650,000,000.00
Cash paid for repayment of debts		650,000,000.00	600,000,000.00
Cash paid for dividends, profit distribution or interest expenses		26,030,048.60	10,422,526.22
Other cash payments relating to financing activities	XVII(52)	817,142.81	–
Sub-total of cash outflows from financing activities		676,847,191.41	610,422,526.22
Net cash flow from financing activities		323,152,808.59	39,577,473.78
IV. Effect of change in foreign exchange rate on cash and cash equivalents		–	-647,405.17
V. Net increase in cash and cash equivalents		-15,732,931.89	-413,887,186.14
Add: Beginning balance of cash and cash equivalents		99,371,121.05	513,258,307.19
VI. Ending balance of cash and cash equivalents		83,638,189.16	99,371,121.05

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

From January to December 2019

Unit: Yuan Currency: RMB

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

Item	2019											Total equity		
	Equity attributable to shareholders of the Company													
	Other equity instruments				Less:			Other comprehensive income						
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Others	Sub-total	Minority interests	
I. Ending balance of last year	1,413,505,376.00	-	-	-	9,549,330,748.34	-	1,226,639.50	982,441,825.31	-	-2,153,702,475.37	-	9,727,457,689.21	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. Beginning balance of the year	1,413,505,376.00	-	-	-	9,549,330,748.34	-	1,226,639.50	982,441,825.31	-	-2,153,702,475.37	-	9,727,457,689.21	4,628,972,858.86	14,356,410,548.07
III. Increase/decrease for the year (Decrease expressed with "-")														
(i) Total comprehensive income	-	-	-	-	-131,038,868.79	-	-782,729.46	10,947.70	-	546,309,300.84	-	42,018,914.92	771,483,901.24	1,191,313,139.80
(ii) Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	546,309,300.84	-	552,240,847.81	382,206,803.22	934,447,651.03
1. Ordinary shares paid by shareholders	-	-	-	-	-131,038,868.79	-	-	-	-	-	-	-130,638,388.79	388,449,448.38	257,810,479.59
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-132,797,460.14	1,200,000.00	-131,597,460.14
3. Amount of share-based payments recognized in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	2,158,491.95	-	-	-	-	-	-	2,158,491.95	387,249,448.38	389,407,939.73
(iii) Profit distribution	-	-	-	-	-	-	-	-	10,947.70	-	-10,947.70	-	-162,261.36	-162,261.36
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	10,947.70	-	-10,947.70	-	-	-
2. Transfer to provision for general risks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-162,261.36	-162,261.36
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer to retained earnings arising from change in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-782,729.46	-	-	-	-	-782,729.46	-	-782,729.46
1. Transfer in the year	-	-	-	-	-	-	74,906,287.45	-	-	-	-	74,906,287.45	27,442,075.28	102,348,362.73
2. Utilization in the year	-	-	-	-	-	-	75,689,016.91	-	-	-	-	75,689,016.91	27,442,075.28	103,131,092.19
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the year	1,413,505,376.00	-	-	-	9,418,291,779.55	-	443,910.04	992,482,773.01	-	-1,605,393,094.53	-	10,145,256,837.77	5,049,466,648.10	15,547,723,687.87

Head of accounting department:
Xie Weihong

Person in charge of accounting:
Hou Zengquan

Legal representative:
Han Guangde

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

From January to December 2019

Unit: Yuan Currency: RMB

Item	Equity attributable to shareholders of the Company										Minority interests	Total equity
	Preference shares	Perpetual bonds	Other comprehensive income	Less: Treasury shares	Capital reserve	Surplus reserve	Provision for general risks	Undistributed profit	Others	Sub-total		
I. Ending balance of last year	1,413,505,376.00	-	-	-	87,46,675,613.33	982,441,825.31	-	-255,300,411.53	-	10,800,092,261.78	1,510,397,589.26	12,319,489,650.04
Add: Changes in accounting policies	-	-	-	-	-	-	-	-23,547,841.37	-	-11,811,409.31	-	-11,811,409.31
Correction of previous errors	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the year	1,413,505,376.00	-	-	-	87,46,675,613.33	982,441,825.31	-	-254,869,252.90	-	10,787,280,872.47	1,510,397,589.26	12,307,678,440.73
III. Increase/decrease for the year (Decrease expressed with "-")	-	-	-	-	-	-	-	-1,888,854,222.47	-	-1,069,843,183.26	31,657,529.00	2,048,732,107.24
(i) Total comprehensive income	-	-	-	-	-	-	-	-1,888,014,160.08	-	-1,871,878,261.87	603,012,880.95	-2,474,881,442.82
(ii) Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	802,905,135.01	3,726,501,380.43	4,529,406,515.44
1. Ordinary shares paid by shareholders	-	-	-	-	-	-	-	-	-	-	4,912,010,000.00	4,912,010,000.00
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payments recognized in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer to provision for general risks	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	159,937.61	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer to retained earnings arising from change in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer in the year	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilization in the year	-	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the year	1,413,505,376.00	-	-	-	85,48,580,748.34	982,441,825.31	-	-21,157,702,475.37	-	9,727,457,689.21	4,628,972,888.86	14,386,410,548.07

Head of accounting department:
Xie Weihong

Person in charge of accounting:
Hou Zengquan

Legal representative:
Han Guangde

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

From January to December 2019

Unit: Yuan Currency: RMB

Item	2019							Total equity			
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profit
I. Ending balance of last 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. Beginning balance 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 year (Decrease expressed with "-")											
(i) Total comprehensive income	-	-	-	-	-	-	-	-	10,947.70	96,529.33	109,477.03
(ii) Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares paid by shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	10,947.70	-10,947.70	-
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	10,947.70	-10,947.70	-
2. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Transfer to retained earnings arising from change in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Transfer in the year	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation in the year	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	472,681,889.15	721,076,162.84	8,755,192,159.09

Person in charge of accounting: **Hou Zengquan**

Head of accounting department: **Xie Weihong**

Legal representative: **Han Guangde**

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

From January to December 2019

Unit: Yuan Currency: RMB

Item	2018							Total equity			
	Other equity instruments				Less:						
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Ending balance of last year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	472,670,941.45	744,230,926.38	8,778,395,974.93
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of previous errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	472,670,941.45	744,230,926.38	8,778,395,974.93
III. Increase/Decrease for the year (Decrease expressed with "-")											
(i) Total comprehensive income	-	-	-	-	-	-	-	-	-	-23,313,292.87	-23,313,292.87
(ii) Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares paid by shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Capital paid by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer within owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Transfer to retained earnings arising from change in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Transfer in the year	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation in the year	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	472,670,941.45	720,917,633.51	8,755,082,682.06

Person in charge of accounting: **Hou Zengquan**

Legal representative: **Han Guangde**

Head of accounting department: **Xie Weihong**

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 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 15/F Shipping Building, 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, 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 RMB1,413,506,378.00.

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 and registered capital of RMB1,413,506,378.00.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group include the Company and its 27 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 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 Offshore Engineering Equipment (“Equipment Company”), 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 Heavy 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”), CSSC Industrial Internet Co., Ltd. (“CSSC Internet”), Guangdong Wenchuan Yuansheng Construction Co., Ltd. (廣東文船遠晟建築工程有限公司) (“Wenchuan Yuansheng”), Eastwell Engineering Limited (“Eastwell Engineering”) and Guangzhou Wenchong Ship Building and Repair Co., Ltd (廣州文沖船舶修造有限公司) (“Wenchong Ship Building and Repair”). Compared to last year, the number of subsidiaries increased by 3 due to the establishment of Wenchong Ship Building and Repair, the acquisition of Wenchuan Yuansheng and receiving the donated Eastwell Engineering.

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

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, (hereinafter referred to as the “Accounting Standards for Business Enterprises”), and No. 15 of regulations on information disclosures of companies that issue public offering shares – General Rules of preparing financial reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and regulations of Hong Kong Companies Ordinance as well as the accounting policies and estimation as described in IV. Significant Accounting Policies and Estimation to this note.

(2) Going Concern

The management of the Company has assessed its ability to operate on a continuing basis for the 12 months from 31 December 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 by the Company in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of the financial position, the operating results and cash flows of the Company and the Group.

2. Accounting period

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

3. Operating cycle

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

4. Reporting currency

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

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 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 income for current period after review.

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 minority 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 later, to the date of combination, the related profit or loss recognised, other comprehensive income and other change in net 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 not 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, are changed to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

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 loses 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, is 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 loses 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.

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 assumes in proportion, and related income and fees will be recognised according to the related agreed individual or in proportion of assets and liabilities. For assets transactions that are purchased or sold under joint operation that do not constitute business, assets and liabilities are recognised 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 in 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 spot exchange rate as at the balance sheet date. Owners' equity items, other than "undistributed profit", are translated using the spot 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 spot 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 spot exchange rates at the beginning of the year and the end of the year. The effect of changes in exchange rates on cash and cash equivalents is presented separately in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(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 derecognized 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(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 rights or contractual obligations equals the number of equity instruments available or to be delivered multiplied by its fair value on settlement. 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 or (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.

11. 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.

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The Group calculates the expected credit loss of notes and accounts receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current provision for impairment of other receivables, the Group recognises the difference as impairment losses of notes and accounts receivable, and it will debit "credit impairment loss" and credit "provision for bad debts". Otherwise, the Group recognises the difference as an impairment gain and makes the opposite accounting record.

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

1. Method of determination of expected credit loss of notes receivable and accounting treatment methods

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.

2. 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.

- (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 year, 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.

12. 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 year, 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.

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13. 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.

14. 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 (depending on factors other than the passage of time). 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.

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 and 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.

15. 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.

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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, which had no provision for impairment been made.

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.

16. 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 in control of 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.

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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.

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.

17. 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.

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18. Investment properties

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

The investment properties of the Group are depreciated or 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

19. 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.

20. 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.

21. 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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22. 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 non-patent technology 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, and there is evidence to proof the usefulness of intangible assets for internal use;
4. There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
5. The expenses attributable to the development stage of the intangible asset can be measured reliably.

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

23. 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 year end regardless of whether there is indication of impairment loss.

The difference should be accrued as impairment and accounted for impairment losses if the result of impairment test indicates that the book value of assets over recoverable amount. Recoverable amount should be measured at the higher of the fair value after subtracting the costs of disposal of the net and the present value of estimated future cash flows. Provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

After the impairment test, if the carrying value of such assets is higher than its recoverable amount, the difference is recognized as impairment loss. The above assets impairment loss once recognised, cannot be transferred in the subsequent accosting period.

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24. 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.

25. 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.

26. 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.

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 year 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, postemployment benefits, and termination benefits.

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27. 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.

28. 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.

29. 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 confirm the revenue accordingly upon the complete fulfilment of each of the performance obligations.

The performance obligations are discharged over time if any of the following condition has been met, otherwise are discharged at a particular point 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.

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.

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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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30. 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.

31. 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 recognized 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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32. Leases

1. Accounting treatment of assets leased in

On the commencement date of the lease term, the Group recognises the right-of-use assets and lease liabilities for leases other than short-term leases and low-value asset leases, and separately recognises the depreciation expense and interest expense during the lease term.

The Group adopts the straight-line method for each period of the lease term, and the lease payments for short-term leases and low-value assets leases are included in the current expenses.

(1) Right-of-use assets

The right-of-use asset refers to the right of the lessee to use the leased asset during the lease term. On the commencement date of the lease term, the right-of-use assets are initially measured at cost. The cost includes: ①The initial measurement amount of the lease liability; ②The lease payment amount paid on or before the commencement date of the lease term, and the relevant amount of the lease incentive that has been enjoyed shall be deducted if there is a lease incentive; ③The initial direct costs incurred by the lessee; ④The cost which the lessee is expected to dismantle and remove the leased asset, restore the site of leased asset or restore the leased asset to the agreed terms of the lease terms.

The depreciation of the right-of-use assets of the Group is accrued using the straight-line method. For those who can reasonably determine the ownership of the leased asset when the lease term expires, the depreciation is made within the estimated remaining useful life of the leased asset. If it is not reasonable to determine that the leased asset will be acquired at the expiration of the lease term, the depreciation is made during the shorter period between the lease term and the remaining useful life of the leased asset.

The Group determines whether the right-of-use assets have been impaired and carries out accounting treatment in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 8 - Impairment of Assets.

(2) Lease liability

The lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date of the lease term. The lease payments include: ① The fixed payment amount (including the substantial fixed payment amount), and the relevant amount of the lease incentive shall be deducted if there is a lease incentive; ②Variable lease payments depending on the index or ratio; ③The amount expected to be paid based on the residual value of the guarantee provided by the lessee; ④The exercise price of purchasing the option, provided that the lessee reasonably determines that the option will be exercised; ⑤The amount to be paid for the termination of the lease option, provided that the lease term reflects that the lessee will exercise the option to terminate the lease;

The Group adopts the leased interest rate as the discount rate. If the leased interest rate cannot be reasonably determined, the Group's incremental borrowing rate will be used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term according to a fixed periodic interest rate and includes the same in the financial expenses. The periodic interest rate refers to the discount rate adopted by the Company or the revised discount rate.

The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred.

When the Company's evaluation on the renewal and the termination of leasing or purchasing the option changes, the lease liabilities will be re-measured according to the present value of the changed lease payment and the revised discount rate, and the book value of the right-of-use asset will be adjusted accordingly. When the actual lease payment amount, the estimated amount of the guarantee residual value or the variable lease payment amount depending on the index or ratio changes, the lease liability will be re-measured according to the present value calculated from the changed lease payment amount and the original discount rate, and the book value of the right-of-use assets will be adjusted accordingly.

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2. Accounting treatment of assets leased out

(1) Accounting treatment of operating leases

The Group adopts the straight-line method in each period of the lease term to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Group in relation to the operating leases are capitalised and recognised in the current period over the lease term on the same basis as the recognition of rental income.

(2) Accounting treatment of financial leases

On the commencement date of lease, the Group recognises the difference between the sum of the unrecognised residual value and its present value as unrealised financing income, and recognises it as rental income in each period in which the rent is received in the future. The initial direct costs incurred by the Group in connection with the lease transaction are included in the initial book value of the finance lease receivables.

33. 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.

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.

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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 recognized in profit or loss in the current period.

34. 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.

35. 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.

36. 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.

1. Provision for bad debts of receivables

As stated in Note IV.11 and Note IV.12, 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 significant 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.13, 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.

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3. Provision for impairment of assets relating to contract costs

As stated in Note IV.15, 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.17, 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.

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.

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37. Changes in significant accounting policies and accounting estimates

1. New Leasing Standard

On 7 December 2018, the Ministry of Finance revised and issued Accounting Standards for Business Enterprises No. 21 – Leases (the “New Leasing Standard”), requiring corporations which are both listed in mainland China and overseas as well as companies which are listed overseas to adopt the aforesaid new accounting standard starting from 1 January 2019.

The Group implemented the New Leasing Standard from 1 January 2019. The Group elected not to reevaluate whether the contracts that have existed before the date of first implementation are or contain leases. According to the accumulated affected amount arising from first implementation, the Group adjusted the amount of other related items in the financial statement at the beginning of the year for first implementation, while the information for the comparable period will not be adjusted.

Please refer to Note IV.(32) for relevant accounting policies after adjustments.

(1) Relevant accounting policies before changes

The leasing business of the Group includes financing leases and operating leases.

The Group, as the lessee under the financial lease, on the start date of financial lease, according to the lower of the fair value of leasing assets on the start date of leasing and the present value of the minimum lease payments, to be the recorded value of leasing fixed assets. The minimum lease payment shall be the recorded value of the long-term payable, the difference between the two recorded as unrecognised financial expense.

The Group, as the lessee under operational lease, rental during the leasing term in each of the period, shall be included in the cost of related assets or profit or loss for the period using straight-line method directly.

(2) Impacts on implementation of the revised Leases standard

Item of consolidated financial statement	2018-12-31	Amount involved	2019-1-1
Assets :	47,475,344,086.37	199,340,500.82	47,674,684,587.19
Including: Right-of-use asset		199,340,500.82	199,340,500.82
Liabilities:	33,118,933,538.30	199,340,500.82	33,318,274,039.12
Including: Lease liabilities		152,171,100.46	152,171,100.46
Non-current liabilities due within one year	4,414,000,000.00	47,169,400.36	4,461,169,400.36
Equity:	14,356,410,548.07		14,356,410,548.07
of which: Undistributed profit	-2,153,702,475.37		-2,153,702,475.37

The Company's financial statements have not been affected by the New Leasing Standard.

2. Presentation Adjustments

- (1) The Ministry of Finance promulgated the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發合併財務報表格式的通知(2019版)的通知》(財會[2019]16號)) (“Format of Financial Statements”) in September 2019. An enterprise implementing the Accounting Standards for Business Enterprises shall prepare financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises and the notice.

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(2) Impacts on implementation of the revised Format of Financial Statements

According to the requirement of the Format of Financial Statements, the “notes and accounts receivable” has been split into “notes receivable” and “accounts receivable”, the “notes and accounts payable” has been split into “notes payable” and “accounts payable” by the Group. The Group has retrospectively adjusted the statements for comparative period correspondingly. The changes in accounting policies have had no impact on the consolidation, the Company’s net profit and the interests of the shareholders of the Company.

The impacts are as follows:

Item of the statement	2018-12-31	Adjustment	2019-1-1
Total assets	2,693,105,872.48		2,693,105,872.48
Including: Notes and accounts receivable	2,693,105,872.48	-2,693,105,872.48	
Notes receivable		130,810,712.06	130,810,712.06
Accounts receivable		2,562,295,160.42	2,562,295,160.42
Total liabilities	10,689,228,547.46		10,689,228,547.46
Including: Notes and accounts payable	10,689,228,547.46	-10,689,228,547.46	
Notes payable		2,730,396,298.20	2,730,396,298.20
Accounts payable		7,958,832,249.26	7,958,832,249.26

The Company’s statements have not been affected following the implementation of the revised format of financial statements.

3. Changes in significant accounting estimates

There is no need to disclose the significant changes in accounting estimates during the year.

V. TAX

(1) Main taxes and rates

Type	Tax basis	Tax rate
PRC enterprise:		
– 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%
– Urban maintenance and construction tax	Turnover tax payable	7%
– Educational surcharge	Turnover tax payable	3%
– Local education surcharge	Turnover tax payable	2%
– Enterprise income tax	Taxable income	15%, 20%, 25%
Hong Kong profits tax	Taxable income	16.5%

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 (Ministry of Finance, State Taxation Administration and General Administration of Customs [2019] No.39) (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》(財政部稅務總局海關總署公告2019年第39號)), from 1 April 2019, the tax rates on sales behaviours or import goods of the Group subject to the value-added tax at the former rates of 16% and 10% have been changed to 13% and 9%.

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Notes on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Tax rate	Remarks
The Company	25%	
Hongfan Technology	15%	
Huangpu Wenchong	15%	
Wenchong Dockyard	15%	
Wenchong Shipyard	15%	
Wenchuan Heavy Industrial	15%	
Glory Group	16.5%	Incorporated in Hong Kong
Fonkwang	16.5%	Incorporated in Hong Kong
Wah Shun	16.5%	Incorporated in Hong Kong
Eastwell Engineering	16.5%	Incorporated in Hong Kong
Wah Loong	16.5%	Incorporated in Hong Kong
Zhanjiang Nanhai	20%	Small low-profit enterprise
Xingji	20%	Small low-profit enterprise
Other subsidiaries	25%	

(2) Preferential taxation treatment

1. Value-added tax

Revenue from export: 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. For the exported goods and labour services to which a tax rate of 16% was originally applicable and the export rebate rate was 16%, the export rebate rate is adjusted to 13%; for the export goods and crossborder taxable activities to which a tax rate of 10% was originally applicable and the export rebate rate was 10%, the export rebate rate is adjusted to 9% with effect from 1 April 2019.

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

- (1) Guangzhou Hongfan Technology Co., Ltd., the subsidiary of the Company, obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201744000859) on 9 November 2017, with a validity period of three years. Its enterprise income tax for this year was paid at a rate of 15%;
- (2) CSSC Huangpu Wenchong Shipbuilding Company Limited, the subsidiary of the Company, obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201844011040) on 28 November 2018, with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%;

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- (3) GSI obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201731002771) on 23 November 2017. Its enterprise income tax for 2019 was paid at a rate of 25% since the company has not selected the treatment;
- (4) Wenchong Dockyard obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201844009674) on 28 November 2018, with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%;
- (5) Wenchong Shipyard obtained the Hi-tech Enterprise Certification of Guangzhou in 2016, which is expired. On 2 December 2019, Guangdong Province has published the list of the third batch of high-tech enterprises to be certificated online, and the certificate no. of Wenchong Shipyard is GR201944010453. It is expected that Wenchong Shipyard will be able to obtain the Certificate of Hi-tech Enterprise, thus its enterprise income tax for 2019 was still calculated at a rate of 15%;
- (6) Wenchong Chonggong obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201844002831) on 28 November 2018, with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%;
- (7) Zhanjiang Nanhai and Xingji are small low-profit enterprises, with the income tax rate of 20%;
- (8) Glory Group, Fonkwang, Eastwell Engineering, Wah Shun and Wah Loong International Marine Limited are registered in Hong Kong and subject to Hong Kong income tax, with the tax rate of 16.50%.

3. Property tax

- (1) Huangpu Wenchong was granted a preferential taxation treatment of reduction in property tax by the Second Tax Office of Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation in the amount of RMB963,828.78;
- (2) Wenchong Shipyard was granted a preferential taxation treatment of reduction in property tax by the Second Tax Office of Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation in the amount of RMB1,354,976.97;
- (3) According to "Notice on Property Tax Relief of Military Property by the Ministry of Finance" (《財政部關於對軍隊房產徵免房產稅的通知》), GSI enjoyed a reduction in property tax in the amount of RMB5,190,000.00 based on military products' proportion to sales while Huangpu Wenchong enjoyed a reduction in property tax in the amount of RMB672,882.94 based on military products' proportion to sales.

4. Land use tax

- (1) Huangpu Wenchong was granted a preferential taxation treatment of reduction in urban land use tax by the Second Tax Office of Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation in the amount of RMB1,569,467.33;
- (2) According to the Cai Sui Zi [1995 No.27] the Notice Regarding Certain Provisions on Exempting Military Use Enterprises Affiliated to Aviation, Aerospace, And Shipbuilding Corporation in China from Land Use Tax (財稅字[1995]27號文《關於對中國航空、航天、船舶工業總公司所屬軍工企業免徵土地使用稅的若干規定的通知》), GSI, the subsidiary of the Company, was granted a preferential taxation treatment of reduction in urban land use tax in the amount of RMB615,487.64 in 2019; Huangpu Wenchong was granted a preferential taxation treatment of reduction in urban land use tax in the amount of RMB298,735.87 in 2019;
- (3) Wenchong Shipyard granted a preferential taxation treatment of reduction in urban land use tax by the Second Tax Office of Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation in the amount of RMB958,164.88.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019
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VI. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash	206,485.11	194,222.57
Bank deposits	10,683,284,305.88	8,536,592,047.52
Other cash at bank and on hand	3,633,875,308.94	1,801,100,888.41
Total	14,317,366,099.93	10,337,887,158.50

Including: Total amount deposited overseas 127,223,129.96 110,172,735.06

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

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	3,497,000,000.00	1,522,000,000.00
Deposit for letters of guarantee and letters of credit	88,191,044.05	246,777,070.05
Foreign exchange forward contract bond	25,200,152.81	11,048,448.82
Special housing fund for employees	17,046,832.10	13,245,001.02
Project security deposit	6,423,779.98	6,423,779.98
Other deposits	13,500.00	805,509.14
Deposit for bank acceptance bills		771,994.40
Total	3,633,875,308.94	1,801,071,803.41

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

(2) Financial assets held-for-trading

1. Types of financial assets held-for-trading

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	48,785,784.80	11,685,155.01
Including: Forward exchange contracts	48,785,784.80	11,685,155.01
Total	48,785,784.80	11,685,155.01

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

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

Item	Ending balance	Beginning balance
Listed		
Unlisted	48,785,784.80	11,685,155.01
Total	48,785,784.80	11,685,155.01

Note: 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 were obtained. According to prudence principle, one price is chosen to be input value. The prevailing benchmark loan interest rate promulgated by the People's Bank of China is chosen to be discount rate. The fair value is calculated according to the formula as follows.

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

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)/discount rate Number of years.

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

(3) Notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	563,453,834.95	83,544,762.52
Commercial acceptance bills	70,111,028.65	47,265,949.54
Total	633,564,863.60	130,810,712.06

1. Notes receivable pledged as at the end of the year:

None

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

Item	Amount derecognized as at the end of the year	Amount not derecognized as at the end of the year
Bank acceptance bills	492,557,423.08	
Commercial acceptance bills	1,610,131.05	
Total	494,167,554.13	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

3. Notes transferred to accounts receivable at the end of year due to non-performance of drawers:

None

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

Type	Ending balance				Carrying Value
	Book balance Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts made on a collective basis	633,564,863.60	100.00			633,564,863.60
Including: Due within one year	633,564,863.60	100.00			633,564,863.60
Total	633,564,863.60				633,564,863.60

(Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(4) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	2,390,628,704.48	2,599,936,504.41
Less: Provision for bad debts	40,248,264.38	37,641,343.99
Net amount	2,350,380,440.10	2,562,295,160.42

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

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	2,061,611,397.71	17,756,721.76	0.86
1-2 years	169,910,788.01	2,750,302.26	1.62
2-3 years	25,034,038.97	4,980,647.91	19.90
3-4 years	80,122,732.66	849,300.97	1.06
4-5 years	37,003,019.27	1,247,001.75	3.37
Over 5 years	16,946,727.86	12,664,289.73	74.73
Total	2,390,628,704.48	40,248,264.38	1.68

(Continued)

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
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	61.70
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

2. 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 31 December 2019

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

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	28,437,630.23	1.19	28,437,630.23	100.00	
Including: Accounts receivable of which the credit risk has significantly increased since initial recognition	28,437,630.23	1.19	28,437,630.23	100.00	
Provision for bad debts made on a collective basis	2,362,191,074.25	98.81	11,810,634.15	0.50	2,350,380,440.10
Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	2,362,191,074.25	98.81	11,810,634.15	0.50	2,350,380,440.10
Total	2,390,628,704.48	-	40,248,264.38	-	2,350,380,440.10

(Continued)

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	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	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	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	2,574,088,450.56	99.01	12,823,284.88	0.50	2,561,265,165.68
Total	2,599,936,504.41	-	37,641,343.99	-	2,562,295,160.42

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From 1 January 2019 to 31 December 2019

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

(1) Provision for bad debts in respect of accounts receivable made on an individual basis

Name of entity	Ending balance			Reasons for provision
	Accounts receivable	Provision for bad debts	Percentage of provision (%)	
Henan Guangchuan Elevator Co., Ltd. (河南廣船電梯有限公司)	9,312,358.11	9,312,358.11	100.00	Long ageing, with risk of collection
TENOVA AUSTRALIA PTY LTD	4,261,467.23	4,261,467.23	100.00	Very little chance of recovery
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	2,852,482.37	2,852,482.37	100.00	Too long time, having sign of impairment
Chongqing Yuxiang Elevator Company (重慶渝祥電梯公司)	2,542,500.00	2,542,500.00	100.00	Very little chance of recovery
Chongqing Yuandong Fushi Electromechanical Company	1,497,280.00	1,497,280.00	100.00	Very little chance of recovery.
Guangzhou Nanfang Special Coating Co., Ltd	1,186,418.63	1,186,418.63	100.00	The balance cannot be recovered
Fuzhou Hongjia Electronic Technology Company (福州宏嘉電子科技公司)	443,118.00	443,118.00	100.00	Very little chance of recovery
Qingdao Yushi Dashan Real Estate Company (青島郁士大山房地產公司)	339,350.00	339,350.00	100.00	Very little chance of recovery
Chongqing South Group Company	263,698.87	263,698.87	100.00	According to the contract, the house is used to offset the receivables, and there is dispute about the amount owed
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Very little chance of recovery
Guangzhou Hanyang Ship Supporting Equipment Manufacturing Co., Ltd. (廣州漢陽船舶配套設備製造有限公司)	180,000.00	180,000.00	100.00	Very little chance of recovery
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Very little chance of recovery
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long ageing, with risk of collection
Weining Health Technology Group Co., Ltd. (衛寧健康科技集團股份有限公司)	140,000.00	140,000.00	100.00	Very little chance of recovery
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Very little chance of recovery
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long ageing, with risk of collection
Shantou Customs Anti-smuggling Bureau (汕頭海關緝私局)	109,056.50	109,056.50	100.00	Customer kept changing requirements and the project cannot be advanced for a long time
Wuhan Yuji Property Co., Ltd.	105,500.00	105,500.00	100.00	All agents not available to collect receivables from the landlord, with a risk of collection
31 others	862,482.00	862,482.00	100.00	Very little chance of recovery
Total	28,437,630.23	28,437,630.23	100.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(2) Accounts receivable for which provision for bad debts is made on a collective basis

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of Provision (%)
Within one year	2,089,753,366.73	10,448,445.61	0.50
1-2 years	152,375,468.17	761,877.34	0.50
2-3 years	12,331,769.84	61,658.85	0.50
3-4 years	70,526,881.33	352,634.41	0.50
4-5 years	32,626,708.80	163,133.54	0.50
Over 5 years	4,576,879.38	22,884.40	0.50
Total	2,362,191,074.25	11,810,634.15	-

4. Provision for bad debts

Type	Change in the year					Ending balance
	Beginning balance	Provision made	Recovered or reversed	Offset or written off	Other changes	
Provision for bad debts in respect of accounts receivable	37,641,343.99	14,189,563.75	-160,325.81	-11,440,843.36	18,525.81	40,248,264.38

Significant provision for bad debts recovered or reversed during the year: None

5. Accounts receivable written-off during the year

Item	Amount written-off
Accounts receivable written-off	11,440,843.36

Significant accounts receivable written-off

Name of entity	Nature of accounts receivable	Amount written-off	Reason for writing-off	Procedures of writing-off performed	Whether arising from related party transaction
VARADA ONE PTE LTD	Repair receivable	3,671,659.75	Unrecoverable	Required writing-off procedures had been completed	No
CONTSHIPS MANAGEMENT INC	Repair receivable	2,108,130.00	Unrecoverable	Required writing-off procedures had been completed	No
FAIRLAND ENTERPRISES LIMITED	Repair receivable	1,749,747.90	Unrecoverable	Required writing-off procedures had been completed	No
evalend shipping co.s.a.	Repair receivable	1,398,421.01	Unrecoverable	Required writing-off procedures had been completed	No
HEBEI OCEAN SHIPPING CO.,LTD	Repair receivable	1,208,661.20	Unrecoverable	Required writing-off procedures had been completed	No
Total	-	10,136,619.86	-	-	-

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From 1 January 2019 to 31 December 2019

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6. Top five accounts receivable by ending balance of debtors

Name of entity	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Entity 1	Third party	276,120,305.12	Within one year	11.55	1,380,601.53
Entity 2	Third party	225,910,884.00	Within one year	9.45	1,129,554.42
Entity 3	Third party	177,124,800.00	Within one year	7.41	885,624.00
Entity 4	Third party	111,822,400.00	Within one year	4.68	559,112.00
Entity 5	Third party	111,106,306.20	Within 1 year	4.65	555,531.53
Total		902,084,695.32		37.74	4,510,423.48

7. Accounts receivable derecognised arising from transfer of financial assets:

None

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

None

(5) Prepayments

1. Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,331,088,244.92	56.90	1,689,616,762.17	55.93
1-2 years	360,732,537.39	15.42	605,644,396.66	20.05
2-3 years	208,235,999.40	8.90	147,780,467.68	4.89
Over 3 years	439,204,417.50	18.78	577,816,153.72	19.13
Total	2,339,261,199.21	-	3,020,857,780.23	-

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2. Unsettled significant prepayments aged over one year and reasons therefor

Name of entity	Relationship with the Group	Amount	Of which aged over one year	Amount aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for unsettlement
EMER INTERNATTONAL LIMTTED	Third party	330,173,059.03	320,428,550.03	13.70	Over 3 years	Large equipment received in batches and not inspected and accepted
China Shipbuilding Trading Shanghai Co., Ltd.	Under common control of CSSC	235,642,767.03	235,642,767.03	10.07	Over 3 years	Large equipment received in batches and not inspected and accepted
WARTSILA FINLAND OY	Third party	239,276,505.45	127,920,004.25	5.46	1-3 years	Large equipment received in batches and not inspected and accepted
China Shipbuilding Industry Corporation 712 Research Institute	Under common control of CSSC	90,915,000.00	90,915,000.00	3.89	1-3 years	Project unsettled
Zentech Incorporated	Third party	89,156,852.44	89,156,852.44	3.81	Over 3 years	Large equipment received in batches and not inspected and accepted
Rolls-Royce Marine As	Third party	76,559,774.29	15,343,149.80	0.66	Over 3 years	Large equipment received in batches and not inspected and accepted
ABB AS	Third party	12,226,308.00	12,226,308.00	0.52	1-5 years	Project unsettled
China Shipbuilding NDRI Engineering Co., Ltd.	Under common control of CSSC	7,953,674.18	7,953,674.18	0.34	Over 3 years	Project unsettled
TTS Bohai Trading(Dalian)Co.Ltd	Third party	1,976,603.41	1,976,603.41	0.08	3-4 years	Large equipment received in batches and not inspected and accepted
Guangzhou Hongfeng Marine Engineering Co., Ltd. (廣州紅豐船舶工程有限公司)	Third party	1,308,265.07	1,308,265.07	0.06	1-2 years	Project unsettled
Huagong Farley Welding System Engineering Co.,Ltd (華工法利萊切焊系統工程有限公司)	Third party	1,185,000.00	1,185,000.00	0.05	1-2 years	Project unsettled
Total		1,086,373,808.90	904,056,174.21	38.64		

3. Top five prepayments 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	1,233,243,876.18	Within one year	52.72
EMER INTERNATIONAL LIMITED	330,173,059.03	Over 3 years	14.11
Ludong Heavy Machinery Co., Ltd	236,080,331.02	Within one year	10.09
China Shipbuilding Trading (Shanghai) Co., Ltd	235,642,767.03	Over 3 years	10.07
WARTSILA FINLAND OY	146,886,767.88	Over 1-3 years	6.28
Total	2,182,026,801.14	-	93.27

(6) Other receivables

Item	No.	Ending balance	Beginning balance
Interest receivable	1	8,794,796.77	46,907,817.53
Other receivables	2	1,813,253,902.39	279,178,532.75
Total		1,822,048,699.16	326,086,350.28

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

1. Interest receivables

(1) Breakdown of interest receivable

Item	Ending balance	Beginning balance
Fixed deposit	7,516,364.58	40,612,815.45
Entrusted wealth management	986,287.53	6,295,002.08
Entrusted loan	292,144.66	
Total	8,794,796.77	46,907,817.53

(2) Significant overdue interest

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

(3) Information on provision for bad debts made for interest receivable

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

2. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	1,858,170,552.13	320,145,263.97
Less: Provision for bad debts	44,916,649.74	40,966,731.22
Net amount	1,813,253,902.39	279,178,532.75

(1) Breakdown of other receivables by nature

Nature of amount	Book balance as at the end of the year	Book balance as at the beginning of the year
Land storage compensation receivable	713,005,660.38	
Land disposal compensation receivable	686,000,000.00	
Refundable deposit	147,558,550.16	145,653,939.07
Temporary payments receivables	51,620,457.81	1,135,358.52
Reserve funds	18,761,738.07	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
Other current amount	241,224,145.71	88,986,514.11
Total	1,858,170,552.13	320,145,263.97

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(2) Provision for bad debts made for other receivables

Provision for bad debts	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
Balance as at 1 January 2019		1,038,728.38	39,928,002.84	40,966,731.22
Book balance of other receivables 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 year		11,815,358.58	-4,237,804.94	7,577,553.64
Reversed during the year		-260,427.55		-260,427.55
Offset during the year				
Written off during the year		-3,367,207.57		-3,367,207.57
Other changes				
Balance as at 31 December 2019		9,226,451.84	35,690,197.90	44,916,649.74

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		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	1,802,873,956.26	9,142,889.36	0.50
1-2 years	8,486,222.95	42,431.11	0.50
2-3 years	1,541,278.52	7,706.39	0.50
3-4 years	151,236.87	756.18	0.50
4-5 years	199,370.26	996.85	0.50
Over 5 years	6,334,389.92	31,671.95	0.50
Total	1,819,586,454.78	9,226,451.84	

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 (%)	Reason for provision
Guangzhou Nanfang Special Coating Co., Ltd.	22,474,713.07	22,474,713.07	100	Unrecoverable
Konwin International Limited	10,340,232.15	10,340,232.15	100	Unrecoverable
Guangzhou Yuyi Marine Engineering Co., Ltd.	3,876,005.54	982,106.09	25.34	Unrecoverable
Yantai Jiatai Ship Engineering Co., Ltd.	1,757,548.59	1,757,548.59	100	Unrecoverable
Guangzhou Zhicheng Electromechanical Equipment Leasing Co., Ltd.	59,400.00	59,400.00	100	Unrecoverable
Municipal Urban Construction Archives	57,600.00	57,600.00	100	Unrecoverable
Guangdong Machinery Import & Export Co., Ltd.	9,500.00	9,500.00	100	May be unable to recover
Other 9 individuals	9,098.00	9,098.00	100	Advance air ticket, unrecoverable
Total	38,584,097.35	35,690,197.90		

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From 1 January 2019 to 31 December 2019

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(3) Ageing analysis of other receivables

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	1,714,973,662.44	5,691,602.37	0.33
1-2 years	61,696,489.50	308,482.45	0.50
2-3 years	31,601,834.50	178,009.17	0.56
3-4 years	2,416,556.28	12,082.78	0.50
4-5 years	1,789,859.70	1,022,969.46	57.15
Over 5 years	45,692,149.71	37,703,503.51	82.52
Total	1,858,170,552.13	44,916,649.74	2.42

(Continued)

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 for other receivables

Type	Beginning balance	Change in the year			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts of other receivables	40,966,731.22	7,577,553.64	-260,427.55	-3,367,207.57	44,916,649.74
Total	40,966,731.22	7,577,553.64	-260,427.55	-3,367,207.57	44,916,649.74

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① Other receivables written-off during the year

Item	Amount written-off
Other receivables written-off	3,367,207.57

Significant other receivables written-off:

Name of entity	Nature of other receivables	Amount written off	Reason for writing-off	Procedures for writing-off performed	Whether arising from related party transaction
Dongguan Qianyang Electromechanical Equipment Co., Ltd.	Construction fee	3,347,207.57	Enterprise cancelled, unrecoverable	Perform the write-off procedures as required by the Company	No
Total		3,347,207.57	-	-	-

(5) 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 debt
Guangzhou Shipyard Shipping Co., Ltd.	Amount for Land storage compensation	713,005,660.38	Within one year	38.37	3,565,028.30
Guangzhou Wenchong Industrial Co., Ltd.	Amount for land disposal compensation	686,000,000.00	Within one year	36.92	3,430,000.00
Shenzhen-Zhongshan Bridge Management Centre (深中通道管理中心)	Performance bonds	88,331,334.20	1-2 years	4.75	441,656.67
REDERT AB GOTLAND	Other current amount	69,762,000.00	Within one year	3.75	348,810.00
Guangzhou Municipal Industry and Information Technology Beureau	Government grants	47,409,528.00	Within one year	2.55	237,047.64
Total		1,604,508,522.58		86.35	8,022,542.61

(6) Other receivables related to government grants

Government grant receivables of the Group amounted to RMB47,409,528.00.

(7) Other receivables derecognised arising from transfer of financial assets:

None

(8) Amount of assets and liabilities transferred from other receivables with continuing involvement

None

(8) Advance to employees receivable

None

NOTES TO THE FINANCIAL STATEMENTS

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(7) Inventories

1. Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment of inventories/ provision for impairment of contract performance cost	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials	1,124,254,389.19	24,232,953.64	1,100,021,435.55	1,714,660,355.45	27,743,733.93	1,686,916,621.52
Work in progress	532,807,375.07	60,449,211.61	472,358,163.46	209,583,991.74	31,824,883.03	177,759,108.71
Finished goods	27,764,003.62		27,764,003.62	27,602,398.78	15,951.95	27,586,446.83
Goods in transit	28,898,298.75		28,898,298.75	33,716,554.71		33,716,554.71
Contract performance cost	2,964,277,662.49	248,512,571.37	2,715,765,091.12	3,309,009,919.39	278,994,793.37	3,030,015,126.02
Total	4,678,001,729.12	333,194,736.62	4,344,806,992.50	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 year		Decrease for the year		Ending balance
		Provision made	Others	Reversal or writing-off	Other transfer-out	
Raw materials	27,743,733.93	991,254.77		4,502,035.06		24,232,953.64
Work in progress	31,824,883.03	38,926,125.81		10,301,797.23		60,449,211.61
Finished goods	15,951.95			15,951.95		
Contract performance cost	278,994,793.37	302,260,357.58	93,322,896.01	426,065,475.59		248,512,571.37
Total	338,579,362.28	342,177,738.16	93,322,896.01	440,885,259.83		333,194,736.62

3. Provision for impairment of inventories made

Item	Basis for determination of net realisable value	Reason for reversal or offsetting during the year
Raw materials	Book cost higher than net realisable value (estimated disposal proceeds less taxes)	Production and reuse
Work in progress	Book cost higher than net realisable value (estimated selling price less related costs and expenses, etc.)	Completed for sale
Finished goods	Book cost higher than net realisable value (estimated selling price less taxes)	Completed for sale

4. Note on capitalised borrowing costs included in ending balance of inventory

The Group's ending balance of inventory was RMB12,614,554.16, in which Huangpu Wenchong product special loan interest capitalization amount was RMB10,947,416.66; Huangchuan Ocean Engineering power jacket project special loan interest capitalisation was RMB1,667,137.50.

5. Note on amount of amortisation of contract performance cost for the year

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(8) Contract assets

1. Information on contract assets

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets related to shipbuilding	5,685,032,733.14		5,685,032,733.14	5,258,556,215.16		5,258,556,215.16
Contract assets related to offshore engineering products	424,128,664.25		424,128,664.25	1,531,398,974.80		1,531,398,974.80
Contract assets related to steel structures	227,223,965.73		227,223,965.73	70,815,612.32		70,815,612.32
Total	6,336,385,363.12		6,336,385,363.12	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 year

Item	Amount of change	Reason for change
Contract assets relating to shipbuilding	426,476,517.98	The contract is being performed and the date of recognition of contract revenue recognised based on contract performance progress is earlier than the date of receipt of consideration on due date
Contract assets relating to steel structure engineering	156,408,353.41	Achieved sales in the period
Contract assets relating to offshore engineering products	-1,107,270,310.55	
Total	-524,385,439.16	

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

As at the end of the year, 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	Remarks
Long-term entrusted wealth management products due within one year		400,000,000.00	
Long-term receivables due within one year	667,000,000.00	63,415,968.00	
Entrusted loan due within one year	25,000,000.00		
Total	692,000,000.00	463,415,968.00	

(10) Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	318,300,110.73	364,283,638.86
Prepaid enterprise income tax	32,550,785.04	1,094,477.19
Total	350,850,895.77	365,378,116.05

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(11) Long-term receivables

1. Information on long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value	
Receipt in instalments for sale of goods	2,400,500,856.47	119,060,692.52	2,281,440,163.95	1,044,512,529.12	123,575,049.90	920,937,479.22	4.5%
Compensation for assets relocation	427,369,289.39	5,672,178.78	421,697,110.61	1,061,249,916.57	5,671,349.59	1,055,578,566.98	3.07%
Total	2,827,870,145.86	124,732,871.30	2,703,137,274.56	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 in 2018, 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.

2. Provision for bad debts made

Provision for bad debts	Stage 1 Expected credit losses for ext 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
Balance as at 1 January 2019		5,999,845.27	123,246,554.22	129,246,399.49
Balance as at 1 January 2019 of long-term receivables and during the year	-	-	-	-
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the year		-58,785.15	-4,454,743.04	-4,513,528.19
Reversed during the year				
Offset during the year				
Written off during the year				
Other changes				
Balance as at 31 December 2019		5,941,060.12	118,791,811.18	124,732,871.30

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	Ending balance		
	Long-term receivables	Provision for bad debts	Percentage of provision (%)
Long-term receivables not overdue	1,147,099,456.38	5,941,060.12	0.5
Total	1,147,099,456.38	5,941,060.12	-

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From 1 January 2019 to 31 December 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 long-term receivables on an individual basis at stage 3:

Name of entity	Book balance	Amount of bad debts	Percentage of provision (%)	Reasons for provision
LOMAR Shipping	196,695,902.14	13,236,595.21	6.73	Note
Guangdong Yuanyang Transportation Co., Ltd.	141,351,968.44	29,850,393.69	21.12	
SHAOSHAN EIGHT SHIPPING LIMITED	137,564,513.99	29,395,778.58	21.37	
ZHONGXIN MARINE COMPANY LIMITED	109,568,130.09	34,792,076.60	31.75	
Shenzhen Shunchang Ocean Fishery Co., Ltd.	16,628,000.00	10,876,800.00	65.41	
BUSS	10,086,238.24	640,167.11	6.35	
Total	611,894,752.90	118,791,811.19		-

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.

(12) Long-term equity investments

1. Breakdown of long-term equity investments

Investee	Beginning balance	Increase in investment	Decrease in investment	Change for the year					Ending balance	Provision for impairment	
				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			Others
I. Joint ventures	48,231,647.50			3,365,467.88					-93,136.11	51,523,979.27	
Guangzhou Zhongtan Ship Design Co., Ltd.	306,828.15			908,404.02						1,215,232.17	
Narilang Environment Co., Ltd.	47,924,819.35			2,477,063.86					-93,136.11	50,308,747.10	
II. Associates	692,703,650.61	2,184,012.50		8,444,762.01		-889,398.03	86,694.62		-165,273.02	702,171,059.45	
Guangdong Guangli Human Resources Co., Ltd.		340,000.00		-340,000.00							
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	3,680,382.88			323,658.59					-165,273.02	3,818,768.45	
CSSC Chengxi Yangzhou Shipbuilding Company Limited	641,151,201.83			361,781.13			86,694.62			641,426,288.34	
CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	1,142,562.23			1,454,737.02						2,597,299.25	
Zhenjiang Modern Power Generation Equipment Co., Ltd.	46,729,503.67			121,387.08		-889,398.03				46,961,492.72	
Maiyu Environmental Technology (HK) Co., Ltd.		1,844,012.50		6,523,198.19						8,367,210.69	
Total	740,935,288.11	2,184,012.50		11,830,229.89		-889,398.03	86,694.62		-278,408.13	753,695,038.72	

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2. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	753,695,038.72	740,935,298.11
Total	753,695,038.72	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	71,248,734.49	63,403,225.93
Including: At fair value through other comprehensive income	71,248,734.49	63,403,225.93
Total	71,248,734.49	63,403,225.93

2. Analysis of other equity instruments

Item	Ending balance	Beginning balance
Listed	6,556,991.46	6,813,766.56
Including: China (except Hong Kong)	6,556,991.46	6,813,766.56
Unlisted	64,691,743.03	56,589,459.37
Total	71,248,734.49	63,403,225.93

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
Shares in Chongqing Iron and Steel	6,925,546.56	-3,443,953.86	3,481,592.70	6,925,546.56	-3,274,579.08	3,650,967.48
Shares in Bank of Communications	1,155,497.30	1,919,901.46	3,075,398.76	1,155,497.30	2,007,301.78	3,162,799.08
Sub-total of listed	8,081,043.86	-1,524,052.40	6,556,991.46	8,081,043.86	-1,267,277.30	6,813,766.56
CSSC Finance Company Limited	5,828,000.00	21,135,546.68	26,963,546.68	5,828,000.00	23,958,931.26	29,786,931.26
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
China Shipbuilding IT Co., Ltd.	1,700,000.00	5,178,968.12	6,878,968.12	1,700,000.00	2,184,104.82	3,884,104.82
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
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
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
CSSC Heavy Equipment Co., Ltd.	-	-	-	-	-	-
Nanjing Tongchuang Computer Co., Ltd.	-	-	-	-	-	-
Guangzhou Nanfang Special Coating Co., Ltd.	-	-	-	-	-	-
Sub-total of unlisted	30,250,559.74	34,441,183.29	64,691,743.03	30,250,559.74	26,338,899.63	56,589,459.37
Total	38,331,603.60	32,917,130.89	71,248,734.49	38,331,603.60	25,071,622.33	63,403,225.93

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

Item	Dividend income recognised during the year	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
Shares in Chongqing Iron and Steel			3,443,953.86		Investments not held for trading	
Shares in Bank of Communications	163,875.63	1,919,901.46			Investments not held for trading	
Sub-total of listed	163,875.63	1,919,901.46	3,443,953.86			
CSSC Finance Company Limited	982,800.00	21,135,546.68			Investments not held for trading	
Huangpu Hongshan Community Health Service Center		1,540,941.91			Investments not held for trading	
China Shipbuilding IT Co., Ltd.		5,178,968.12			Investments not held for trading	
CSIC Yuanzhou (Beijing) Science & Technology Co., Ltd.		5,442,251.01			Investments not held for trading	
Guangzhou Wenchuan Industrial Co., Ltd.	177,352.19	1,507,494.46			Investments not held for trading	
Guangzhou Xinzhou Service Co., Ltd.			44,279.16		Investments not held for trading	
CSSC Liner Technology Development Co., Ltd.			319,739.73		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	
Sub-total of unlisted	1,160,152.19	34,805,202.18	364,018.89			
Total	1,324,027.82	36,725,103.64	3,807,972.75			

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(14) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance	29,171,739.00	29,171,739.00
2. Increase for the year		
3. Decrease for the year		
4. Ending balance	29,171,739.00	29,171,739.00
II. Accumulated depreciation and amortisation		
1. Beginning balance	7,549,087.48	7,549,087.48
2. Increase for the year	628,712.16	628,712.16
(1) Provision made or amortisation	628,712.16	628,712.16
3. Decrease for the year		
4. Ending balance	8,177,799.64	8,177,799.64
III. Provision for impairment		
1. Beginning balance		
2. Increase for the year		
3. Decrease for the year		
4. Ending balance		
IV. Carrying value		
1. Carrying value at the end of the year	20,993,939.36	20,993,939.36
2. Carrying value at the beginning of the year	21,622,651.52	21,622,651.52

The depreciation and amortisation of investment properties recognised in profit or loss during the year is RMB628,712.16 (last year: RMB628,712.16).

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

Investment properties analysed by region and ageing are as follows:

Item	Ending balance	Beginning balance
Within China	20,993,939.36	21,622,651.52
Medium term (10-50 years)	20,993,939.36	21,622,651.52
Total	20,993,939.36	21,622,651.52

2. Investment properties without property ownership certificates: None.

(15) Fixed assets

Item	No.	Ending balance	Beginning balance
Fixed assets	(1)	11,436,680,670.98	12,046,436,020.38
Disposal of fixed assets	(2)	3,248,018.71	
Total		11,439,928,689.69	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 year	29,016,826.91	106,179,697.66	11,614,283.56	19,278,610.97	166,089,419.10
(1) Additions		32,532,461.76	367,251.76		32,899,713.52
(2) Transfer from construction in progress	29,016,826.91	73,078,620.51	11,247,031.80	19,278,610.97	132,621,090.19
(3) Transfer from others		568,615.39			568,615.39
3. Decrease for the year	568,615.39	243,987,805.09	8,583,334.58	7,390,339.76	260,530,094.82
(1) Disposal or retirement		241,406,753.46	8,583,334.58	7,341,165.76	257,331,253.80
(2) Transfer to others	568,615.39	2,581,051.63		49,174.00	3,198,841.02
4. Ending balance	10,807,615,398.51	5,881,529,503.89	1,156,875,264.30	461,431,877.68	18,307,452,044.38
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 year	345,462,391.22	295,630,457.85	48,856,247.39	35,034,072.13	724,983,168.59
(1) Provision made	345,462,391.22	295,399,636.59	48,856,247.39	35,034,072.13	724,752,347.33
(2) Transfer from others		230,821.26			230,821.26
3. Decrease for the year	230,821.26	195,433,991.31	7,048,406.03	6,602,969.42	209,316,188.02
(1) Disposal or retirement		192,866,299.78	7,794,602.89	6,602,969.42	207,263,872.09
(2) Transfer to others	230,821.26	2,567,691.53	-746,196.86		2,052,315.93
4. Ending balance	3,011,932,182.66	3,120,079,178.69	350,583,663.28	314,861,990.30	6,797,457,014.93
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 year					
3. Decrease for the year		352,306.89			352,306.89
(1) Disposal or retirement		352,306.89			352,306.89
4. Ending balance		5,783,894.64	67,424,958.03	105,505.80	73,314,358.47
IV. Carrying value					
1. Carrying value at the end of the year	7,795,683,215.85	2,755,666,430.56	738,866,642.99	146,464,381.58	11,436,680,670.98
2. Carrying value at the beginning of the year	8,112,466,574.29	2,993,318,697.64	777,643,535.37	163,007,213.08	12,046,436,020.38

Note 1: The depreciation of fixed assets recognised in profit or loss during the year is RMB724,752,347.33 (last year: RMB710,579,883.83).

Note 2: Included in fixed assets added during the year is transfer from construction in progress of RMB132,621,090.19.

(2) Fixed assets leased through finance leases

None.

(3) Fixed assets leased out through operating leases

Item	Carrying value
Buildings and structures	96,430,480.23
Machinery and equipment	104,116,825.02
Transportation vehicles	464,369,172.69
Other equipment	40,601.54
Total	664,957,079.48

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(4) Buildings and structures are analysed by region and ageing as follows:

Item	Ending balance	Beginning balance
Within China	7,810,754,665.27	8,098,414,952.13
Medium term (10-50 years)	7,649,971,827.19	7,950,529,444.02
Short term (within 10 years)	160,782,838.08	147,885,508.11
Outside China	13,768,238.52	14,051,622.16
Medium term (10-50 years)	13,768,238.52	14,051,622.16
Total	7,824,522,903.79	8,112,466,574.29

(5) Fixed assets without property ownership certificates

As at the end of the year, included in fixed assets were properties with carrying amount of RMB323,085,259.55 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
Machine processing workshop	91,065,351.09	In the process of obtaining ownership certificates
Hull joint workshop	84,317,820.33	In the process of obtaining ownership certificates
Elevator and decompression bed processing and assembly workshop	60,972,541.97	In the process of obtaining ownership certificates
Sectional welding workshop	53,941,230.94	In the process of obtaining ownership certificates
Production and living support building	13,634,043.80	In the process of obtaining ownership certificates
Complex building of machinery processing centre	6,366,328.66	In the process of obtaining ownership certificates
1# Electric room	4,822,829.07	In the process of obtaining ownership certificates
East auxiliary building of new platform ship at Longxue Plant	4,290,201.77	In the process of obtaining ownership certificates
Paint and oil chemicals storage	2,275,538.47	In the process of obtaining ownership certificates
Oily waste storage room	787,693.98	In the process of obtaining ownership certificates
1# natural gas blending station	611,679.47	In the process of obtaining ownership certificates
Total	323,085,259.55	

2. Disposal of fixed assets

Item	Ending balance	Beginning balance
Machinery and equipment	3,248,018.71	
Total	3,248,018.71	

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(16) Construction in progress

Item	Carrying value as at the end of the year	Carrying value as at the beginning of the year
Construction in progress	1,181,944,326.01	762,567,676.87
Total	1,181,944,326.01	762,567,676.87

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	358,124,618.17		358,124,618.17	178,366,510.18		178,366,510.18
Project 8	134,075,878.75		134,075,878.75	92,132,160.15		92,132,160.15
Investment projects	127,216,847.87		127,216,847.87	74,217,653.65		74,217,653.65
Project 9	99,553,031.99		99,553,031.99	10,891,104.32		10,891,104.32
Project 7	64,178,271.47		64,178,271.47	37,438,272.86		37,438,272.86
Platform project	56,144,032.90		56,144,032.90	40,937,324.32		40,937,324.32
Workers' dormitory phase II	40,562,343.37		40,562,343.37	28,555,426.27		28,555,426.27
Residential project for workers	37,331,490.40		37,331,490.40	37,331,490.40		37,331,490.40
Residential project	35,651,749.35		35,651,749.35	35,651,749.35		35,651,749.35
Offshore platform project	33,135,547.82		33,135,547.82	33,315,621.31		33,315,621.31
Construction of residential for workers	22,370,827.65		22,370,827.65	22,370,827.65		22,370,827.65
Offshore engineering project phase I	19,291,421.14		19,291,421.14	19,239,228.15		19,239,228.15
Special payment for Shenzhen-Zhongshan Bridge	17,852,283.46		17,852,283.46	14,102,805.23		14,102,805.23
Project 5	14,752,521.60		14,752,521.60	22,510,650.87		22,510,650.87
Project 3	12,923,609.12		12,923,609.12	12,923,609.12		12,923,609.12
Other projects	108,779,850.95		108,779,850.95	102,583,243.04		102,583,243.04
Total	1,181,944,326.01		1,181,944,326.01	762,567,676.87		762,567,676.87

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(2) Changes in material construction in progress

Name of project	Beginning balance	Increase for the year	Decrease for the year		Ending balance
			Transfer to fixed assets	Other decrease	
Nansha Plant upgrading project	178,366,510.18	185,043,110.73	5,285,002.74		358,124,618.17
Project 8	92,132,160.15	52,095,819.24	10,152,100.64		134,075,878.75
Investment projects	74,217,653.65	58,133,138.47	5,133,944.25		127,216,847.87
Project 9	10,891,104.32	99,730,893.19	11,068,965.52		99,553,031.99
Project 7	37,438,272.86	42,875,328.56	16,135,329.95		64,178,271.47
Workers' dormitory phase II	28,555,426.27	12,140,456.92	133,539.82		40,562,343.37
Residential project	35,651,749.35				35,651,749.35
Offshore platform project	33,315,621.31	-180,073.49			33,135,547.82
Project 5	22,510,650.87	127,924.51	7,886,053.78		14,752,521.60
Offshore engineering project phase I	19,239,228.15	313,134.00	260,941.01		19,291,421.14
Shenzhen-Zhongshan Bridge	14,102,805.23	9,082,146.40	5,332,668.17		17,852,283.46
Project 3	12,923,609.12				12,923,609.12
Total	559,344,791.46	459,361,878.53	61,388,545.88		957,318,124.11

(Continued)

Name of project	Budget amount	Ratio of project investment to budget (%)	Project progress	Accumulated interest capitalised	Of which: Interest capitalised during the year	Interest capitalisation ratio for the year (%)	Source of funding
Nansha Plant upgrading project	1,333,760,000.00	57	Under construction	6,644,240.76	1,796,244.15	1.08	Self-financed
Project 8	453,000,000.00	87	Under construction				State-subsidized/ Self-financed
Investment projects	653,000,000.00	85	Under construction				Self-financed/loan
Project 9	216,900,000.00	47	Under construction				State-subsidized/ Self-financed
Project 7	424,940,000.00	99	Under construction	6,066,078.94			State-subsidized/ loan/Self-financed
Workers' dormitory phase II	82,520,000.00	49	Under construction				Self-financed
Residential project	290,990,000.00	12.25	Under construction	5,321,149.81			Self-financed/loan
Offshore platform project	278,630,000.00	43	Under construction	22,039,060.45			Self-financed/loan
Project 5	119,420,000.00	99	Under construction	3,045,377.25			State-subsidized/ Self-financed
Offshore engineering project phase I	770,000,000.00	91	Under construction	65,765,865.93			Self-financed/loan
Shenzhen-Zhongshan Bridge	47,200,000.00	38	Under construction				
Project 3	278,630,000.00	91.91	Under construction	24,728,995.32			Self-financed/loan
Total	4,948,990,000.00			133,610,768.46	1,796,244.15		

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(17) Right-of-use assets

item	Buildings and structures	Machines and equipment	Total
I. Original carrying amount			
1. Beginning balance	174,825,853.17	24,514,647.65	199,340,500.82
2. Increase for the period	14,664,780.30		14,664,780.30
(1) Increase in leases	14,664,780.30		14,664,780.30
3. Decrease for the period	12,137,766.31		12,137,766.31
(1) Disposal	12,137,766.31		12,137,766.31
4. Ending balance	177,352,867.16	24,514,647.65	201,867,514.81
II. Accumulated depreciation			
1. Beginning balance			
2. Increase for the period	36,243,466.84	16,272,684.96	52,516,151.80
(1) Provision made	36,243,466.84	16,272,684.96	52,516,151.80
3. Decrease for the period			
4. Ending balance	36,243,466.84	16,272,684.96	52,516,151.80
III. Provision for impairment			
1. Beginning balance			
2. Increase for the period			
3. Decrease for the period			
4. Ending balance			
IV. Book value			
1. Ending book value	141,109,400.32	8,241,962.69	149,351,363.01
2. Beginning book value	174,825,853.17	24,514,647.65	199,340,500.82

Note: The depreciation of right-of-use assets recognized in the profit and loss during the year is RMB52,516,151.80 (last year: RMB0).

(18) Intangible assets

1. Breakdown of intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	2,252,519,485.51	145,232,000.00	223,178,948.70	2,432,934.00	2,623,363,368.21
2. Increase for the year	280,991.51		46,046,677.56	990,000.00	47,317,669.07
(1) Additions	280,991.51		46,046,677.56	990,000.00	47,317,669.07
3. Decrease for the year					
4. Ending balance	2,252,800,477.02	145,232,000.00	269,225,626.26	3,422,934.00	2,670,681,037.28
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 year	45,515,797.65	2,904,639.96	11,145,388.28	8,585.16	59,574,411.05
(1) Provision made	45,515,797.65	2,904,639.96	11,145,388.28	8,585.16	59,574,411.05
3. Decrease for the year					
4. Ending balance	390,945,189.39	31,224,879.57	175,888,796.21	48,635.12	598,107,500.29
III. Provision for impairment					
1. Beginning balance					
2. Increase for the year					
3. Decrease for the year					
4. Ending balance					
IV. Carrying value					
1. Carrying value at the end of the year	1,861,855,287.63	114,007,120.43	93,336,830.05	3,374,298.88	2,072,573,536.99
2. Carrying value at the beginning of the year	1,907,090,093.77	116,911,760.39	58,435,540.77	2,392,884.04	2,084,830,278.97

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

(2) The depreciation and amortisation of intangible assets recognised in profit or loss during the year is RMB59,574,411.05 (last year: RMB59,779,481.34).

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(3) Land use rights analysed by region and term:

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	1,861,855,287.63	1,907,090,093.77
Total	1,861,855,287.63	1,907,090,093.77

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

(19) Goodwill

Original carrying amount of goodwill

Name of investee	Beginning balance	Increase for the year Arising from business combination	Decrease for the year Disposal	Ending balance
Wenchong Dockyard	144,231,195.67			144,231,195.67
Total	144,231,195.67			144,231,195.67

1. Provision for impairment of goodwill

As at the end of the year, the balance of provision for impairment of goodwill of the Group was RMB0.

2. Information on the asset group or combination of asset groups to which the goodwill belongs

The Group conducted comprehensive analysis of the reasons for the generation of goodwill arising from the combination of Wenchong Dockyard. It considered long-term operating assets such as fixed assets, construction in progress, intangible assets, long-term prepaid assets as an asset group to conduct a goodwill impairment test. The carrying amount of the asset group (excluding goodwill) was RMB1,849,000,000.

3. Explanations for the process of goodwill impairment test, parameters and method for determination of goodwill impairment loss

At the end of the period, the Group conducted an impairment test on the asset group related to the goodwill of Wenchong Dockyard. First, it included the goodwill in the asset group and adjusted its carrying amount, then compared the adjusted carrying amount of the asset group with its recoverable amount, in order to recognize whether the asset group (including goodwill) has incurred impairment.

According to "Asset valuation report on the recoverable value of the asset group in relation to the impairment test of GSI on the generation of goodwill arising from the combination of Wenchong Dockyard" 《廣船國際擬對合並文沖船塢形成的商譽進行減值測試所涉及的資產組可回收價值資產評估報告》(Dong Zhou Ping Bao Zi [2020] No. 0134) issued by Shanghai Orient Appraisal Co., Ltd., the recoverable amount of the asset group fair value less disposal cost was RMB2,315,000,000, which is higher than the carrying amount of the asset group (including goodwill) of RMB1,993,000,000.

4. Impacts of goodwill impairment tests

According to the test results, there was no goodwill impairment, which has no impact to the Group.

(20) Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases for the year	Ending balance
Channel dredging project	42,645,992.83		1,053,034.68		41,592,958.15
Longxue industrial decoration	15,801,086.07		2,872,924.67		12,928,161.40
13-metre total steel beam	5,566,218.58	813,411.08	722,222.23		5,657,407.43
Reconstruction cost of Phase II plant	2,953,884.59		1,074,139.92		1,879,744.67
Steel pipe frame fastener	1,432,175.75		1,432,175.75		
Others	10,886,245.41	10,690,567.89	8,042,560.29		13,534,253.01
Total	79,285,603.23	11,503,978.97	15,197,057.54		75,592,524.66

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(21) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deductible tax loss	1,174,440,038.72	214,625,329.47	1,491,305,305.98	295,720,912.90
Provision for impairment of assets	491,229,539.61	77,961,630.22	380,181,751.96	61,718,071.28
Estimated liabilities	276,737,550.32	42,330,894.48	95,972,670.05	17,840,413.76
Payroll for retiring employees	170,560,000.00	25,584,000.00	197,114,274.80	45,178,536.33
Change in fair value of financial assets held-for-trading	113,048,791.03	16,984,401.54	109,244,559.10	16,592,552.56
Difference in the time of amortisation of long-term prepaid expenses	1,665,794.32	416,448.58	2,341,298.04	585,324.51
Change in fair value of investments in other equity instruments			9,716,310.26	2,447,685.56
Total	2,227,681,714.00	377,902,704.29	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
Change in fair value of financial assets held-for-trading	12,197,217.11	1,829,582.57	11,685,155.01	2,081,729.34
Change in fair value of investments in other equity instruments	49,100,049.48	7,365,007.42	27,942,151.71	6,868,918.68
Timing difference arising from depreciation methods of fixed assets	2,923,337.45	320,337.48		
Total	64,220,604.04	9,514,927.47	39,627,306.72	8,950,648.02

3. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	299,832,006.35	293,463,661.59
Deductible tax loss	1,550,587,318.82	3,428,432,706.30
Total	1,850,419,325.17	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	Remarks
2019	22,142,231.77	1,326,107,227.63	
2020	389,601,029.28	466,832,079.49	
2021	424,173,618.02	862,791,156.77	
2022	109,217,802.91	110,971,774.32	
2023	389,249,988.15	661,730,468.09	
2024	206,235,720.12		
2027	5,615,691.37		
2028	4,351,237.20		
Total	1,550,587,318.82	3,428,432,706.30	

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(22) Other non-current assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	75,080,399.67	13,860,105.78
Advances for non-current assets	2,939,089.67	66,391,426.19
Total	78,019,489.34	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 Shunde shipyard and 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

Type of borrowings	Ending balance	Beginning balance
Guaranteed borrowings	1,220,000,000.00	295,000,000.00
Credit loans	4,927,082,148.56	4,009,387,255.88
Total	6,147,082,148.56	4,304,387,255.88

As at the end of the year, short-term borrowing of RMB500,000,000 was guaranteed by Huangpu Wenchong for Wenchong Shipyard; RMB20,000,000 was guaranteed by Huangpu Wenchong for Wenchuan Heavy Industrial; RMB700,000,000 was guaranteed by the Company for GSI.

2. Outstanding overdue short-term borrowings:

None

3. As at the end of the year, the weighted average annual interest rate of short-term borrowings was 2.48%.

(24) Financial liabilities held-for-trading

Item	Ending balance	Beginning balance
Financial liabilities held-for-trading	221,737,672.75	431,894,056.78
Including: Forward exchange contracts	221,737,672.75	431,894,056.78
Total	221,737,672.75	431,894,056.78

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

(25) Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	2,723,458,661.24	2,286,572,893.25
Commercial acceptance bills	339,956,340.43	443,823,404.95
Total	3,063,415,001.67	2,730,396,298.20

Note: Total notes payable due and unpaid as at the end of the year amounted to RMB0 (RMB0 as at the beginning of the year).

Among the above notes payable of the Group as at the end of the year, RMB2,722,384,173.08 had an ageing of less than 180 days, and RMB341,030,828.59 had an ageing of 181-360 days.

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(26) Accounts payable

1. Breakdown of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	5,215,181,835.65	4,074,770,064.65
Payment for projects under construction	314,301,192.54	114,327,903.77
Balance of product payment	274,200,204.00	552,199,468.38
Retention money	1,037,723,660.38	1,485,763,195.74
Other construction and labour services	1,845,991,006.18	1,731,771,616.72
Total	8,687,397,898.75	7,958,832,249.26

2. Ageing analysis of accounts payable based on the transaction date (including accounts payable to connected persons):

Ageing	Ending balance	Beginning balance
Within one year	6,160,619,081.93	4,318,781,010.73
1-2 years	1,230,596,212.92	2,967,761,937.65
2-3 years	779,736,568.28	417,041,372.35
Over 3 years	516,446,035.62	255,247,928.53
Total	8,687,397,898.75	7,958,832,249.26

3. Significant accounts payable aged over one year

Name of entity	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	948,706,497.32	91,192,818.29	Provisional estimates for equipment
CSSC Systems Engineering Research Institute	497,947,000.69	243,266,460.70	Equipment warranty and provisional estimates
Aviation Technology Research Institute of China Aerospace Science and Industry	230,884,200.00	161,134,200.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation 715 Research Institute	196,523,500.00	47,879,500.00	Equipment warranty and provisional estimates
Lu dong Heavy Machinery Co., Ltd.	164,978,397.28	32,871,153.84	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation 704 Research Institute	102,221,450.00	69,471,886.11	Account payable and warranty
Wenzhou Bohong Electric Co., Ltd.	34,487,370.00	34,487,370.00	Account payable and warranty
Total	2,175,748,415.29	680,303,388.94	–

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(27) Contract liabilities

1. Information on contract liabilities

Item	Ending balance	Beginning balance
Shipbuilding products	7,512,029,727.44	6,157,664,531.11
Offshore engineering products	29,338,996.42	405,001,767.59
Steel structures	24,326,983.67	323,059,779.75
Ship maintenance and modification	621,765,500.92	22,086,654.41
Electro-mechanical products and others	300,685,178.17	204,579,228.92
Total	8,488,146,386.62	7,112,391,961.78

The income included in the beginning carrying value was recognised as RMB4,328,688,723.15 in the period.

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

Item	Amount of change	Reason for change
Shipbuilding products	1,354,365,196.33	There was a difference between the collection progress and the progress of revenue confirmation. The collection progress exceeds the progress of revenue confirmation, resulting in the increase in the balance of contract liabilities
Offshore engineering products	-375,662,771.17	
Steel structures	-298,732,796.08	
Ship maintenance and modification	599,678,846.51	
Electro-mechanical products and others	96,105,949.25	
Total	1,375,754,424.84	-

(28) Employee benefits payable

1. Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term remuneration	41,351,166.51	4,664,773,395.32	4,665,677,660.19	40,446,901.64
Post-employment benefits – defined contribution plans		223,208,183.67	223,208,183.67	
Termination benefits		943,707.06	943,707.06	
Total	41,351,166.51	4,888,925,286.05	4,889,829,550.92	40,446,901.64

2. Short-term remuneration

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Salaries, bonuses, allowances and subsidies		1,822,003,971.03	1,822,003,971.03	4,932,421.30
Employee benefits	5,072,421.30	82,065,129.98	82,205,129.98	
Social insurance contribution Including: Medical insurance contribution		121,606,619.52	121,606,619.52	
Work-related injury insurance contribution		105,084,226.62	105,084,226.62	32,233,053.63
Maternity insurance contribution		3,181,701.66	3,181,701.66	
Housing fund	2,754.00	13,340,691.24	13,340,691.24	
Labour union & employee education funds	29,509,619.15	183,488,619.52	183,488,619.52	3,281,426.71
Outsourcing labour costs and others	6,766,372.06	2,410,995,652.15	2,414,480,597.50	
Total	41,351,166.51	4,664,773,395.32	4,665,677,660.19	40,446,901.64

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3. Defined contribution plans

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

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

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		213,942,842.99	213,942,842.99	
Unemployment insurance contribution		9,265,340.68	9,265,340.68	
Enterprise annuity contribution				
Total		223,208,183.67	223,208,183.67	

Note: The defined benefit plan contributions payable by the Group for the year amounted to RMB223,208,183.67 (last year: RMB250,250,719.73). As at the end of the year, contribution payable of the Group amounting to RMB0 (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.

(29) Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	29,936,343.15	9,922,449.47
Enterprise income tax	15,052,609.15	19,495,886.90
Property tax	234,491.98	1,632,008.74
Land use tax		2,212,416.52
Individual income tax	19,407,321.10	11,421,836.30
City maintenance and construction tax	2,831,822.25	700,595.14
Educational surcharge	1,982,622.92	500,425.01
Other taxes	2,789,353.24	2,254,406.10
Total	72,234,563.79	48,140,024.18

(30) Other payables

Item	Ending balance	Beginning balance
Interest payable	35,332,096.80	16,734,825.58
Dividends payable	394,042.49	304,042.49
Other payables	309,155,631.32	319,883,556.50
Total	344,881,770.61	336,922,424.57

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	3,481,682.55	9,852,098.31
Interest payable on short-term borrowings	31,850,414.25	6,882,727.27
Total	35,332,096.80	16,734,825.58

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

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2. Dividends payable

Item	Ending balance	Beginning balance
Dividends payable for A shares	66,091.17	66,091.17
Dividends payable for H shares	237,951.32	237,951.32
Others	90,000.00	
Total	394,042.49	304,042.49

3. Other payables

1) Other payables by nature

Nature of payment	Ending balance	Beginning balance
Deposits received	95,646,947.29	100,646,387.39
Withholding amount for employees	45,142,854.71	35,720,714.50
Payables for temporary receipts	168,365,829.32	82,096,661.93
Payables for equity transfer payment		101,419,792.68
Total	309,155,631.32	319,883,556.50

2) Significant other payables aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
China Shipbuilding NDRI Engineering Co., Ltd.	10,860,990.83	Performance bonds
China Rescue and salvage of Ministry of Transport of the PRC	3,157,183.29	Accounts received and paid by shipowners
Guangzhou Zhongke self learning examination tutorial centre	3,000,000.00	Security deposit for leases
Jiangxi Yuanan Marine Engineering Co., Ltd.	1,800,000.00	Security deposit for service fees
Tongzhou Construction General Contracting Group Co., Ltd.	1,788,642.58	Performance deposit
Total	20,606,816.70	-

(31) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	2,239,900,000.00	4,414,000,000.00
Lease liabilities due within one year	42,028,067.24	47,169,400.36
Total	2,281,928,067.24	4,461,169,400.36

(32) Other current liabilities

1. Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Short-term deferred income		6,210,049.38
Including: Government grants		6,210,049.38
Output value-added tax payable	9,327,464.75	82,666,981.35
Advances from customers for shipbuilding orders cancelled	53,909,877.13	93,313,787.47
Total	63,237,341.88	182,190,818.20

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

(33) Long-term borrowings

Type of borrowings	Ending balance	Beginning balance
Guaranteed borrowings	600,000,000.00	332,000,000.00
Credit loans	7,689,657,000.00	8,421,619,500.00
Total	8,289,657,000.00	8,753,619,500.00
The carrying amount of the above borrowings shall be repaid:		
Within one year	2,239,900,000.00	4,414,000,000.00
Over one year but less than two years after balance sheet date	4,120,000,000.00	579,900,000.00
Over two years but less than five years after balance sheet date	220,000,000.00	2,026,562,500.00
Over five years after balance sheet date	1,709,757,000.00	1,733,157,000.00
Less: Amount due within one year, as shown under current liabilities	2,239,900,000.00	4,414,000,000.00
Amount shown under non-current liabilities	6,049,757,000.00	4,339,619,500.00

Note: Interest rates of long-term borrowings range from 0-3.90%.

Details of guarantee:

As at the end of the year, long-term borrowing of RMB600,000,000 was guaranteed by the Company for GSI.

Details of interest rates: As at the end of the year, weighted average annual interest rate of long-term borrowings was 1.95%.

(34) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment amount	164,778,831.31	218,253,468.11
Less: Unrecognized financing cost	12,552,682.80	18,912,967.29
Less: Lease liability due within one year	42,028,067.24	47,169,400.36
Total	110,198,081.27	152,171,100.46

(35) Long-term payables

Item	Ending balance	Beginning balance
Special payables	99,370,000.00	99,370,000.00
Long term payables	2,446,823.07	
Total	101,816,823.07	99,370,000.00

1. Special payables

Project	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Project A	17,850,000.00			17,850,000.00
Project B	6,720,000.00			6,720,000.00
Project C	26,600,000.00			26,600,000.00
Project D	4,500,000.00			4,500,000.00
Project E	43,700,000.00			43,700,000.00
Project F		100,000,000.00	100,000,000.00	
Project G		73,000,000.00	73,000,000.00	
Project H		80,000,000.00	80,000,000.00	
Total	99,370,000.00	253,000,000.00	253,000,000.00	99,370,000.00

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

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

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

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

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

(36) Long-term employee benefits payable

1. Breakdown of long-term employee benefits payable

Item	Ending balance	Beginning balance
Post-employment benefits – net liabilities for defined benefit plans ^{Note}	178,290,000.00	196,350,606.96
Monetary housing allowance for retired employees	41,932,567.33	42,471,060.70
Financial assistance for property purchase	9,166,445.00	9,732,630.00
Total	229,389,012.33	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.

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

Item	Amount for the year	Amount for last year
Beginning balance	196,350,606.96	213,246,318.37
Cost of defined benefits included in profit or loss for the period	16,297,124.69	6,758,526.24
1. Service cost for current period	7,365,238.78	
2. Service cost for previous period		
3. Gains on settlement (Loss expressed with "-")		
4. Net interest	8,931,885.91	6,758,526.24
Cost of defined benefits included in other comprehensive income	-4,538,169.27	
1. Gains on settlement (Loss expressed with "-")	-4,538,169.27	
Other changes	-29,819,562.38	-23,654,237.65
1. Liabilities eliminated upon settlement		
2. Benefits paid	-29,819,562.38	-23,654,237.65
Ending balance	178,290,000.00	196,350,606.96

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

Item	Amount for the year	Amount for last year
Beginning balance	196,350,606.96	213,246,318.37
Cost of defined benefits included in profit or loss for the period	16,297,124.69	6,758,526.24
Cost of defined benefits included in other comprehensive income	-4,538,169.27	
Other changes	-29,819,562.38	-23,654,237.65
Ending balance	178,290,000.00	196,350,606.96

4. Post-employment actuarial assumptions and sensitivity analysis

(1) Actuarial calculation method: projected unit credit method

(2) Actuarial assumption

Depreciation rate: Pursuant to the China Treasury Bond yield rate, the elected specific depreciation rate was: post-employment benefits 3.5%, loss of office benefits 2.5%

Annual turnover rate: 4%

Mortality rate: China insurance experience lifespan statement (2010-2013)-Elderly care business statement for men/women

The growth rate of complementary medical benefits of existing retirees, existing internal retirees upon their official retirements, and existing employees in office upon their official retirements: 6%

The annual growth rate in cost of living of existing internal retirees: 8%

The annual growth rate in social insurance fees and housing provident funds of existing employees before their official retirement: 8%

(3) Sensitivity analysis of actuarial assumption:

Name of company	Sensitivity analysis of depreciation rate	Change in present value of determining the obligation of beneficiary plan (ten thousand yuan)
Huangpu Wenchong	Increase by 0.25 percentage points	-335
	Decrease by 0.25 percentage points	349
Wenchong Dockyard (Post-employment benefits)	Increase by 0.25 percentage points	-34
	Decrease by 0.25 percentage points	36

(37) Estimated liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	358,285,875.33	365,730,923.58	Warranty cost of ships and electromechanical products
Expected loss on shipbuilding and offshore engineering products contracts	336,568,684.88	436,285,785.52	Note
Total	694,854,560.21	802,016,709.10	

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

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(38) Deferred income

1. Breakdown of deferred income

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Government grants	59,916,128.16	159,494,097.95	69,102,916.86	150,307,309.25
Total	59,916,128.16	159,494,097.95	69,102,916.86	150,307,309.25

2. Projects with government grants

Item	Decrease for the year Beginning balance	New grants received during the year	Included in non-operating income	Included in other income	Offsetting cost and expenses	Other changes	Ending balance	Relating to assets/ relating to revenue
Separation and transfer of water, power and gas supply and property management business	4,222,096.98	31,590,000.00	1,820,129.88				33,991,967.10	Relating to revenue
F190566/Test environment construction of industrial internet platform test of Guangdong ship industry clusters		21,780,000.00					21,780,000.00	Relating to revenue
F190567/Construction of level two section of industrial internet identification of ship industry		8,380,000.00					8,380,000.00	Relating to revenue
F190569/Manufacture of prediction and precise servicing technology and system driven by big data		11,030,000.00					11,030,000.00	Relating to revenue
F160502/Research of design and building technologies for management and control of smart ship block workshops		17,390,000.00			2,000,000.00		15,390,000.00	Relating to revenue
Research of technologies for management and control of smart ship block workshops	3,220,583.94	3,450,000.00			934,917.44		5,735,666.50	Relating to revenue
Nansha Plant 1# Welding factory section expansion project (equipment)		5,000,000.00		155,334.93			4,844,665.07	Relating to revenue
National skilled personnel training in 2018	8,000,000.00				2,575,086.29		5,424,913.71	Relating to revenue
Subsidy for high-quality projects	5,773,916.70			192,999.6			5,580,917.10	Relating to revenue
Others	38,699,530.54	60,874,097.95		10,630,155.32	50,794,293.40		38,149,179.77	Relating to revenue
Total	59,916,128.16	159,494,097.95	1,820,129.88	10,978,489.85	56,304,297.13		150,307,309.25	

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From 1 January 2019 to 31 December 2019

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(39) Share capital

Changes in the authorised, issued and paid-up share capital of the Company are as follows:

Current year

Name/type of shareholder	Beginning balance		Increase or decrease (+, -) during the year					Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction									
Ordinary shares denominated in RMB	821,435,181.00	58.12						821,435,181.00	58.12
Overseas listed foreign shares	592,071,197.00	41.88						592,071,197.00	41.88
Shares subject to selling restriction									
Ordinary shares denominated in RMB									
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

Last year

Name/type of shareholder	Beginning balance		Increase or decrease (+, -) during the year					Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction									
Ordinary shares denominated in RMB	549,335,881.00	38.87				272,099,300.00	272,099,300.00	821,435,181.00	58.12
Overseas listed foreign shares	592,071,197.00	41.88						592,071,197.00	41.88
Shares subject to selling restriction									
Ordinary shares denominated in RMB	272,099,300.00	19.25				-272,099,300.00	-272,099,300.00		
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

Description: All the shares in the Company are ordinary shares with nominal value of RMB 1 each.

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(40) Capital reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	9,465,193,217.38	52,177,060.31	184,974,520.45	9,332,395,757.24
Other capital reserve	66,126,652.17	2,814,184.58	655,693.23	68,285,143.52
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	9,549,580,748.34	54,991,244.89	185,630,213.68	9,418,941,779.55

Note 1: Share premium for the year increased by RMB52,177,060.31 and decreased by RMB184,974,520.45 as CSSC Group entitles the registered capital converted from the Exclusively State-Owned Capital Reserve of GSI and Huangpu Wenchong as at 30 June 2017. Capital reserve was adjusted based on the difference between the net assets attributable in proportion to the shareholding before the capital increase and the net assets attributable in proportion to the shareholding after the capital increase, of which the net asset proportion in Huangpu Wenchong decreased by RMB184,974,520.45 while the net asset proportion in GSI increased by RMB51,810,721.05. Share premium increased by RMB366,339.26 arising from the dilution in shareholding due to additional contribution by a minority shareholder of CSSC New Energy, a subsidiary of the Company.

Note 2: In December 2019, Fonkwang, a subsidiary of the Company, received a donation of 100% equity interest of Eastwell Engineering from Mr. Ou Zhimin, pursuant to which other capital reserves were adjusted upward by RMB2,814,184.58.

Note 3: As Glory Group, a subsidiary of the Company, recognised changes in special reserve of joint venture Zhenjiang Modern Power Generation Equipment Co., Ltd., the Company adjusted its capital reserve downward by RMB655,693.23.

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	8,662,345,192.52	1,112,378,477.92	309,530,453.06	9,465,193,217.38
Other capital reserve	66,069,542.02	57,110.15		66,126,652.17
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	8,746,675,613.33	1,112,435,588.07	309,530,453.06	9,549,580,748.34

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(41) Other comprehensive income

Current year:

Item	Beginning balance	Amount for the year				Amount attributable to minority interests after tax	Ending balance
		Amount for the year 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		
I. Other comprehensive income that may not be subsequently reclassified to profit and loss	-44,106,291.17	4,417,882.55		-959,761.64	3,577,517.41	1,800,126.78	-40,528,773.76
Including: 1. Change in remeasurement of defined benefit plans	-61,938,500.00	-5,776,294.91		89,399.25	-4,538,169.27	-1,327,524.89	-66,476,669.27
2. Change in fair value of investments in other equity instruments	17,832,208.83	10,194,177.46		-1,049,160.89	8,115,686.68	3,127,651.67	25,947,895.51
II. Other comprehensive income that will be subsequently reclassified to profit or loss	-1,509,135.40	523,721.72			342,991.86	180,729.86	-1,166,143.54
Including: 1. Exchange differences arising from translation of foreign currency financial statements	-1,509,135.40	523,721.72			342,991.86	180,729.86	-1,166,143.54
Total other comprehensive income	-45,615,426.57	4,941,604.27		-959,761.64	3,920,509.27	1,980,856.64	-41,694,917.30

Last year:

Item	Beginning balance	Amount for the 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		
I. Other comprehensive income that may not be subsequently reclassified to profit and loss	-42,524,522.23	-673,052.43	159,937.61	378,284.07	-1,581,768.94	370,494.83	-44,106,291.17
Including: Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	-61,938,500.00						-61,938,500.00
II. Other comprehensive income that will be subsequently reclassified to profit or loss	19,413,977.77	-673,052.43	159,937.61	378,284.07	-1,581,768.94	370,494.83	17,832,208.83
Including: Gains and losses from changes in fair value of available-for-sale financial assets	-66,874.94	310,343.94			-1,442,260.46	1,752,604.40	-1,509,135.40
Exchange differences arising from translation of foreign currency financial statements	-66,874.94	310,343.94			-1,442,260.46	1,752,604.40	-1,509,135.40
Total other comprehensive income	-42,591,397.17	-362,708.49	159,937.61	378,284.07	-3,024,029.40	2,123,099.23	-45,615,426.57

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(42) Special reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee	1,226,639.50	74,906,287.45	75,689,016.91	443,910.04
Total	1,226,639.50	74,906,287.45	75,689,016.91	443,910.04

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

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee	2,096,705.90	61,917,251.20	62,787,317.60	1,226,639.50
Total	2,096,705.90	61,917,251.20	62,787,317.60	1,226,639.50

(43) Surplus reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	942,521,055.08	10,947.70		942,532,002.78
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	962,441,825.31	10,947.70		962,452,773.01

Last year

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

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(44) Undistributed profit

Item	Current year	Last year
Undistributed profits as at the end of last year before adjustment	-2,153,702,475.37	-255,300,411.53
Add: Beginning adjustment to undistributed profits		-29,547,841.37
Including: Retrospective adjustment according to the new requirements of the Accounting Standards for Business Enterprises		
Accounting policy change		-29,547,841.37
Correction of significant previous errors		
Changes in the scope of business combination under common control		
Other adjustments		
Undistributed profits 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 Company for the year	548,320,338.54	-1,869,014,160.08
Add: Transfer from other comprehensive income to retained earnings		159,937.61
Less: Statutory surplus reserve set aside	10,947.70	
Discretionary surplus reserve set aside		
Provision for general risks		
Dividends payable on ordinary shares		
Undistributed profits as at the end of the year	-1,605,393,084.53	-2,153,702,475.37

(45) Minority interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Guangzhou Hongfan Computer Technology Co., Ltd.	49.00	20,824,625.00	18,382,507.36
Guangzhou Longxue Pipe Co., Ltd.	57.14	33,996,166.14	32,584,467.25
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	40.00	1,511,180.95	1,238,615.64
Fonkwang Development Limited	20.00	13,048,655.11	12,137,810.70
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	19.50	919,310.81	804,428.98
Guangzhou Xinhang Human Resources Service Co., Ltd.	25.00	1,012,779.56	954,409.41
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	62.5	3,957,073.67	3,333,325.17
Wah Shun International Marine Limited	1.00	31,615.49	13,642.40
Wah Loong International Marine Limited	1.00	310,674.12	95,186.23
CSSC (Guangzhou) New Energy Co., Ltd.	38.04	586,668.40	278,411.58
Guangzhou Shipyard International Company Limited (not solely state-owned)	26.28	1,792,349,260.69	1,537,241,300.04
CSSC Huangpu Wenchong Shipbuilding Company Limited (not solely state-owned)	45.46	3,103,518,839.16	1,451,299,009.52
Guangzhou Shipyard International Company Limited (solely state-owned)	note	149,000,000.00	343,640,000.00
CSSC Huangpu Wenchong Shipbuilding Company Limited (solely state-owned)	note	278,400,000.00	1,226,969,744.58
Total	-	5,399,466,849.10	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, details of which are set out in Note VI. 35 Special payables.

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(46) Net current assets

Item	Ending balance	Beginning balance
Current assets	33,235,450,338.19	29,035,181,060.62
Less: Current liabilities	29,410,507,753.51	27,607,675,655.72
Net current assets	3,824,942,584.68	1,427,505,404.90

(47) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	52,304,069,154.98	47,475,344,086.37
Less: Current liabilities	29,410,507,753.51	27,607,675,655.72
Total assets less current liabilities	22,893,561,401.47	19,867,668,430.65

(48) Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	6,147,082,148.56	4,304,387,255.88
Non-current liabilities due within one year	2,239,900,000.00	4,414,000,000.00
Long-term borrowings	6,049,757,000.00	4,339,619,500.00
Total	14,436,739,148.56	13,058,006,755.88

1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	8,187,082,148.56	7,598,157,755.88
– Bank borrowings repayable after 5 years	407,157,000.00	1,733,157,000.00
Other borrowings		
– Other borrowings repayable within 5 years	4,539,900,000.00	3,726,692,000.00
– Other borrowings repayable after 5 years	1,302,600,000.00	
Total	14,436,739,148.56	13,058,006,755.88

2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	8,386,982,148.56	8,718,387,255.88
1-2 years	4,120,000,000.00	579,900,000.00
2-5 years	220,000,000.00	2,026,562,500.00
Over 5 years	1,709,757,000.00	1,733,157,000.00
Total	14,436,739,148.56	13,058,006,755.88

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(49) Operating income & Operating costs

1. Information on operating income and operating cost

Item	Amount for the year	Amount for last year
Income from principal business	21,581,588,577.17	19,002,635,540.52
Income from other businesses	247,414,386.60	210,960,853.51
Total	21,829,002,963.77	19,213,596,394.03
Costs of principal business	20,791,601,441.28	19,149,600,183.64
Costs of other businesses	167,693,512.85	112,869,562.64
Total	20,959,294,954.13	19,262,469,746.28

Gross profit from principal business

Item	Amount for the year	Amount for last year
Income from principal business	21,581,588,577.17	19,002,635,540.52
Costs of principal business	20,791,601,441.28	19,149,600,183.64
Gross profit	789,987,135.89	-146,964,643.12

(1) Principal business – by product

Product name	Amount for the year	Amount for last year
Operating income		
Ship products	16,480,667,808.06	15,074,500,138.56
Including:		
Bulk carriers	580,491,099.01	838,481,272.71
Oil tankers	4,619,845,280.11	2,914,177,181.01
Containerships	2,743,315,554.12	1,948,012,116.47
Special ships and others	8,537,015,874.82	9,373,829,568.37
Offshore engineering products	1,321,234,115.03	1,431,752,144.31
Steel structures	2,011,736,461.38	724,839,574.41
Ship maintenance and modification	1,042,288,419.71	907,948,316.47
Electro-mechanical products and others	725,661,772.99	863,595,366.77
Total	21,581,588,577.17	19,002,635,540.52
Operating costs		
Ship products	16,217,877,959.85	15,211,331,860.89
Including:		
Bulk carriers	556,833,606.51	802,765,072.63
Oil tankers	5,001,816,567.33	3,103,672,217.45
Containerships	2,813,914,430.32	1,862,609,466.00
Special ships and others	7,845,313,355.69	9,442,285,104.81
Offshore engineering products	1,216,369,388.52	1,585,077,615.70
Steel structures	1,791,605,611.67	679,623,834.29
Ship maintenance and modification	859,722,405.80	791,950,320.34
Electro-mechanical products and others	706,026,075.44	881,616,552.42
Total	20,791,601,441.28	19,149,600,183.64

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(2) *Principal business – by region*

Region	Amount for the year	Amount for last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	13,280,308,241.32	11,334,631,302.20
Other regions in Asia	1,668,033,894.64	639,604,362.49
Europe	3,089,923,709.17	3,945,030,525.19
Oceania	983,088,477.79	682,924,110.56
North America	438,904,472.85	1,351,863,663.92
Africa	2,086,041,744.97	890,489,400.31
South America	35,288,036.43	158,092,175.85
Total	21,581,588,577.17	19,002,635,540.52
Operating costs		
China (including Hong Kong, Macau and Taiwan)	12,287,244,136.23	11,319,324,405.91
Other regions in Asia	1,749,484,608.75	620,733,098.94
Europe	3,326,534,606.42	4,196,153,405.24
Oceania	999,832,979.60	685,780,641.07
North America	376,329,160.35	1,250,418,744.55
Africa	2,025,562,650.57	924,798,353.00
South America	26,613,299.36	152,391,534.93
Total	20,791,601,441.28	19,149,600,183.64

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

Product name	Amount for the year	Amount for last year
Income from other business		
Sale of materials	78,693,545.12	51,391,513.56
Sales of scrap materials	88,882,046.98	86,867,023.16
Service income	6,273,921.75	14,717,773.14
Rental income	43,678,333.84	3,284,341.02
Energy income	7,782,369.10	42,375,194.40
Others	22,104,169.81	12,325,008.23
Total	247,414,386.60	210,960,853.51
Costs of other business		
Sale of materials	71,424,148.71	35,672,292.89
Sales of scrap materials	51,236,840.79	39,501,596.38
Service income	3,254,022.36	8,604,005.09
Rental income	28,267,915.03	978,822.95
Energy income	7,589,203.17	24,484,850.94
Others	5,921,382.79	3,627,994.39
Total	167,693,512.85	112,869,562.64

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2. Information on revenue from contracts

Breakdown of contracts	Shipbuilding and related business segment	Steel structure business segment	Ship maintenance and related business segment	Others segment	Total
Product type					
Ship products	16,480,667,808.06	-	-	-	16,480,667,808.06
Offshore engineering products	1,321,234,115.03	-	-	-	1,321,234,115.03
Steel structures	1,110,115,569.65	901,620,891.73	-	-	2,011,736,461.38
Ship maintenance and modification	287,100,794.04	-	755,187,625.67	-	1,042,288,419.71
Electromechanical products and others	150,041,776.88	238,876,410.06	-	336,743,586.05	725,661,772.99
Other business	126,033,009.14	9,515,869.15	32,271,050.71	79,594,457.60	247,414,386.60
Product type sub-total	19,475,193,072.80	1,150,013,170.94	787,458,676.38	416,338,043.65	21,829,002,963.77
By region of operation					
Domestic	11,223,443,136.47	1,150,013,170.94	787,458,676.38	366,807,644.13	13,527,722,627.92
Overseas	8,251,749,936.33	-	-	49,530,399.52	8,301,280,335.85
By region of operation sub-total	19,475,193,072.80	1,150,013,170.94	787,458,676.38	416,338,043.65	21,829,002,963.77
Type of market or customer					
State-owned enterprises	7,652,791,697.35	1,095,184,913.33	249,769,347.95	137,184,238.80	9,134,930,197.43
Private enterprises	4,299,176,315.15	54,828,257.61	32,310,366.03	277,725,783.88	4,664,040,722.67
Foreign enterprises	7,523,225,060.30	-	505,378,962.40	1,428,020.97	8,030,032,043.67
Type of market or customer sub-total	19,475,193,072.80	1,150,013,170.94	787,458,676.38	416,338,043.65	21,829,002,963.77
By date of transfer of goods					
Performed over time	18,103,404,160.74	483,430,169.43	-	-	18,586,834,330.17
Performed at a point in time	1,371,788,912.06	666,583,001.51	787,458,676.38	416,338,043.65	3,242,168,633.60
By date of transfer of goods sub-total	19,475,193,072.80	1,150,013,170.94	787,458,676.38	416,338,043.65	21,829,002,963.77
By contract term					
Short-term	784,627,412.78	666,583,001.51	787,458,676.38	416,338,043.65	2,655,007,134.32
Long-term	18,690,565,660.02	483,430,169.43	-	-	19,173,995,829.45
By contract term sub-total	19,475,193,072.80	1,150,013,170.94	787,458,676.38	416,338,043.65	21,829,002,963.77
By sales channel					
Direct sales	13,764,924,738.95	1,150,013,170.94	787,458,676.38	416,338,043.65	16,118,734,629.92
Sale through distributors	5,710,268,333.85	-	-	-	5,710,268,333.85
By sales channel sub-total	19,475,193,072.80	1,150,013,170.94	787,458,676.38	416,338,043.65	21,829,002,963.77

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 year was RMB4,615,834,800, of which RMB17,424,260,200 is expected to be recognised as revenue in 2020.

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5. Top five customers by operating income

Customers	Relationship with the Group	Current year	Percentage of total income from principal business (%)
Customer 1	Third party	5,271,900,407.61	24.43
Customer 2	Third party	1,184,305,369.63	5.49
Customer 3	Third party	1,165,376,595.99	5.40
Customer 4	Third party	880,469,380.34	4.08
Customer 5	Third party	743,850,362.52	3.45
Total		9,245,902,116.09	42.84

6. Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount for the year	Percentage of total costs of principal business (%)
First	Under common control of CSSC	2,473,982,752.29	11.90
Second	Under common control of CSSC	405,213,000.00	1.95
Third	Under common control of CSSC	329,781,000.00	1.59
Fourth	Third party	324,541,676.80	1.56
Fifth	Third party	242,102,243.76	1.16
Total		3,775,620,672.85	18.16

(50) Taxes and surcharges

Item	Amount for the year	Amount for last year
Resource tax		6,373.13
Property tax	27,547,500.51	28,026,523.85
Land use tax	6,938,126.26	4,955,795.75
City maintenance and construction tax	9,159,552.39	9,393,536.10
Educational surcharge	6,521,975.12	6,709,163.10
Stamp duty	13,795,703.58	14,294,556.15
Vehicle usage tax	163,542.17	203,745.71
Environmental protection tax	1,955,626.06	1,709,736.32
Total	66,082,026.09	65,299,430.11

(51) Selling expenses

Item	Amount for the year	Amount for last year
Product quality warranty	77,586,819.29	36,249,734.13
Employee benefits	43,402,068.21	27,975,212.49
Business expenditure	2,536,496.48	3,648,272.97
Exhibition fees	2,482,609.10	5,490,430.28
Travelling expense	2,316,201.71	2,595,540.07
Advertising publicity fee	1,923,344.46	3,248,261.98
Transportation fees	1,361,000.15	2,764,765.46
Insurance premium	962,316.02	609,632.07
Depreciation charge	57,862.12	66,014.62
Packaging fees		28,512.12
Other selling expenses	4,305,453.78	3,578,838.41
Total	136,934,171.32	86,255,214.60

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(52) Administrative expenses

Item	Amount for the year	Amount for last year
Employee benefits	434,701,858.75	458,160,571.71
Repairing expenses	148,397,443.95	133,612,000.73
Depreciation charge	55,180,895.80	53,857,744.78
Amortisation of intangible assets	53,071,402.13	54,864,858.92
Lease expenses	18,509,949.13	21,706,144.37
Environmental protection and drainage fee	16,019,962.37	13,890,457.15
Travelling expense	9,719,012.74	9,607,841.72
Utilities expense	7,281,558.73	6,431,303.53
Business entertainment expense	5,859,174.47	6,483,652.76
Intermediary fee	5,637,139.95	7,251,210.25
Information management fee	5,430,808.35	5,816,143.81
Office expenses	3,822,974.53	4,871,675.34
Board meeting fee	3,554,980.74	4,935,172.38
Consulting fee	3,239,137.53	7,801,692.26
Insurance premium	3,225,104.01	3,055,486.90
Litigation fees	2,386,042.68	5,732,258.13
Security, firefighting and safety activity fee	27,984,546.39	14,381,758.06
Warehouse fee	693,267.65	1,110,895.58
Logistics service fee	2,779,988.82	6,440,176.39
Other administrative expenses	93,463,361.08	72,833,071.32
Total	900,958,609.80	892,844,116.09

(53) Research and development expenses

Item	Amount for the year	Amount for last year
Maine low-speed machine project (Phase I)	27,912,971.77	
Research on new process and tooling and research on application of new materials for ships (phase I)	17,270,177.96	17,095,168.54
Research on new technology process of container ship design and construction	16,106,584.27	
Research and development of new Panamax energy-saving and environmentally friendly bulk carrier	15,528,744.97	
Research on key technologies of bulk carrier design and construction	15,352,131.75	
Research and development of feeder container ship	14,752,689.38	
Development of container ship	13,857,022.78	
Research on the key technologies of design and construction of Shenzhen-Zhongshan Channel immersed-tube steel-shell project	13,712,205.77	
Research on the key technologies of design and construction of pile-inserted salvage engineering ship	13,404,844.17	
Development of container ship	12,736,642.65	
Development and application technology of new welding technology	12,530,536.90	
Development of self-propelled cutter suction dredger	12,476,923.86	
Research on key technologies of bulk carrier design and construction	11,767,516.53	
Research of common key processes and technologies for smart manufacturing of ships	11,667,195.94	
Research on key technologies of design and construction of self-propelled immersed-tube installation and transportation integrated ship	11,539,120.69	
Research on the key technologies in the design and construction of full-refrigerated container ships	10,740,727.67	
Development of surface support system for manned submersible	10,646,351.01	
Research on key technologies of design and construction of wind power operating platform	10,472,788.62	
Research on the key technologies in the design and construction of marine rescue ships	10,419,796.38	
Development of polar container ship	9,742,165.46	
Shipbuilding industry intelligent operation platform (ship cloud network)	9,308,881.62	
Research on key technologies of design and construction of wind power residential platform	9,184,288.45	
Construction of technology center	9,032,117.00	
Demonstration application of very large intelligent ore carriers	8,414,837.93	

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Item	Amount for the year	Amount for last year
Remould ship	6,942,214.85	
Research on key technologies of design and construction of wind power installation platform	6,678,405.99	
Research on key technologies of metro waterproof gate manufacturing	6,487,138.36	
Research of key technologies for designing and building of marine police remould ships	6,241,714.43	7,924,697.89
Development of trailing suction dredger	6,219,694.74	
Research on forming technology of thick pipe of jacket	6,008,779.82	
Research on welding technology of jacket	5,874,850.28	
Research and development of high-speed marine police ships	5,768,899.90	24,548,187.41
Application research and secondary development of ship design based on CATIA	5,472,208.69	
Management and control system for hospital work plan	5,283,593.88	
Research of new process and technologies of marine ships	5,232,798.92	7,597,466.70
Research on the key technologies of design and construction of marine patrol ship	5,219,369.94	
Research on construction technology of steel shell at the end of shenzhen-zhongshan channel	5,110,606.02	
Research on key technologies of design and construction of ocean comprehensive resources survey ship	4,876,364.63	
Study on the key technologies of construction and installation of composite beams of long-span cable-stayed bridges	4,785,571.34	
Research and development of key technologies for smart manufacturing	4,531,301.05	21,547,016.37
Research and development of trailing suction dredger	4,091,401.69	
Research on jacket loading and transportation technology	4,081,788.54	
Research on key technologies of design and construction of improved marine police ship	4,002,295.26	
Research on technologies of assembly of jacket	3,901,993.62	
Research on technology of digital cutting workshop technology	3,851,953.74	
Research and application of key technologies of fully autonomous navigation for offshore unmanned ships	3,333,770.21	
Research on new process and technologies of light ship	3,286,457.91	
Research on new process and technologies of medium sized ship	3,283,871.01	
Key technology of overall process	3,275,961.86	
Research of new process and technologies	3,229,253.96	
Map system with stir welding technology	3,093,372.74	
Research of key technologies for designing and building of law enforcement ships	2,749,171.32	8,305,896.62
Research on key technologies for saturation diving support ship	2,665,749.61	11,105,178.69
Coordinated innovative research and application of composite wear resistant components for high-end equipment	2,280,432.67	6,595,791.74
Other scientific and research projects	111,343,939.16	163,491,949.10
Research and development of North Africa ro-ro passenger ships		26,941,547.91
Research and development of design and building technology for large trenching ships		18,419,669.76
Research of key technologies for designing and building of deep diving subsea multifunctional wind power engineering ships		18,209,232.16
Research and development of processes and technologies for underwater acoustic ships (14 sub-items)		16,050,991.22
Research and development of luxury ro-ro passenger ships		12,714,725.96
Self-development of dual-fuel high-speed luxury ro-ro passenger ships		11,594,223.95
Ship research and development		11,291,506.64
Ship model design and optimisation		10,877,156.01
Research and manufacturing of chemical/oil tankers		10,850,127.65
Research of polar module carriers		9,957,680.99
Research of key technologies for designing and building of submarine pipeline patrol ships		9,939,050.07
Research and development of manufacturing process and fitting for marine engineering equipment (I)		9,624,728.94

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Item	Amount for the year	Amount for last year
Marine and experimental application of manned submersibles		8,438,827.10
Research and industrial application of key FPSO upgrading technology		6,655,387.08
Development and application of marine waterjet propulsion system		5,730,116.28
Research and development of intelligent blank production lines for shipbuilding		5,586,342.89
Research of key welding technologies for polar condensate tanker hull		5,544,855.54
Special key common technology for smart ship manufacturing		5,433,135.99
Research and development of Antarctic krill ships		5,258,101.02
Advanced ship welding technology enterprise key laboratory in Guangdong Province		5,247,438.60
Research and development of manufacturing process and fitting for advanced ships (I)		4,738,340.62
Research and development of energy-saving and environment-friendly VLOC ships		4,033,911.74
Super deep-water floating production, storage and offloading device		2,464,401.59
Research and development of key technologies for design and building of jack-up wind power installation platform		1,887,780.06
Research and development of multi-purpose heavy lift ships		1,378,868.07
Research and development and industrial application of offshore oil spill recovery ships		483,135.61
Total	557,782,189.67	497,562,636.51

(54) Finance costs

1. Breakdown of finance costs

Item	Amount for the year	Amount for last year
Interest expenses	364,243,854.91	370,303,935.69
Less: Interest income	229,368,563.22	235,693,676.79
Less: Net exchange gains	25,150,754.16	29,984,211.01
Add: Net exchange losses		
Add: Other expenses	34,437,133.48	13,847,453.94
Total	144,161,671.01	118,473,501.83

2. Breakdown of interest expenses

Item	Current year	Last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years	150,438,734.80	186,423,630.74
Other borrowings		
Interest on other borrowings due within 5 years	253,675,166.99	211,029,404.94
Other interest expenses	3,720,751.43	7,409,892.02
Sub-total	407,834,653.22	404,862,927.70
Less: Interest capitalised	14,410,798.31	3,488,992.01
Less: Finance interest discount	29,180,000.00	31,070,000.00
Total	364,243,854.91	370,303,935.69

3. Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	195,449,999.67	213,995,186.14
Interest income from receivables	33,918,563.55	21,698,490.65
Total	229,368,563.22	235,693,676.79

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(55) Other income

Item	Current year	Last year	Source and basis	Relating to assets/relating to revenue
Offshore expansion projects	3,500,000.00	3,499,999.65	Huangpu District Government	Relating to assets
Offshore engineering phase I	1,500,000.00	1,500,000.00	Huangpu District Government	Relating to assets
Immediately refunded value-added tax of self developed software	1,438,098.94	1,257,284.11	Tianhe tax bureau	Relating to revenue
Guangzhou business development special fund service trade and service outsourcing for 2019	1,045,300.00		Guangzhou Municipal Commission of Commerce	Relating to revenue
Mother ship renovation project		7,277,346.81	National government subsidy	Relating to revenue
Reward for use of onshore power by berthing ships 2016-2018 issued by Guangzhou Port Authority		1,200,000.00	Treasury Payment Branch of Guangzhou Municipal Finance Bureau	Relating to revenue
District quality subsidy of Nansha District Finance Bureau of Guangzhou 2016-2017		3,000,000.00	Nansha District Finance Bureau of Guangzhou	Relating to revenue
Other grants	3,495,090.91	6,714,134.21		
Total	10,978,489.85	24,448,764.78		

Government grants from other income included in non-recurring gains and losses amounted to RMB 9,540,390.91 during the period. Please refer to Note 19(1) for the reason why government grants were included in recurring gains and losses.

(56) Investment income

Item	Amount for the year	Amount for last year
Gain on long-term equity investments accounted for using equity method	11,830,229.89	-8,308,324.83
Investment income from disposal of long-term equity investments	-93,136.11	
Investment income from disposal of financial assets held-for-trading	5,580,169.99	-181,064,274.00
Dividend income received during the period of holding other debt investments	13,745,972.01	36,175,021.34
Dividend income received during the period of holding investments in other equity instruments	1,339,419.91	945,450.54
Gain on re-measurement of remaining equity interest upon loss of control at fair value		28,432,071.85
Total	32,402,655.69	-123,820,055.10

The investment income from listed and unlisted investments for the year amounted to RMB163,875.63 (last year: RMB159,210.54) and RMB32,238,780.66 (last year: RMB-123,979,265.64), respectively.

(57) Gain/loss on change in fair value

Item	Amount for the year	Amount for last year
Change in fair value of financial assets held-for-trading	40,013,438.46	5,082,899.10
Change in fair value of financial liabilities held-for-trading	-119,600,315.72	-428,527,762.47
Total	-79,586,877.26	-423,444,863.37

(58) Credit impairment loss

Item	Amount for the year	Amount for last year
Loss on bad debts of accounts receivable	-14,029,237.94	-7,777,972.59
Loss on bad debts of other receivables	-7,317,126.09	-24,668,563.65
Loss on bad debts of long-term receivables	4,513,528.19	-6,925,448.21
Total	-16,832,835.84	-39,371,984.45

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(59) Loss on impairment of assets

Item	Amount for the year	Amount for last year
Loss on impairment of inventories	-37,879,117.82	-31,736,732.79
Loss on impairment of assets in respect of contract performance cost	-271,697,062.76	-642,134,920.45
Loss on impairment of investments in other equity instruments		-3,270,000.00
Total	-309,576,180.58	-677,141,653.24

(60) Gain on disposal of assets

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Gain on disposal of non-current assets	-78,454.75	-1,303,386.17	-78,454.75
Including: Gain on disposal of non-current assets not classified as assets held for disposal	-78,454.75	-1,303,386.17	-78,454.75
Including: Gain on disposal of fixed assets	-78,454.75	-1,303,386.17	-78,454.75
Total	-78,454.75	-1,303,386.17	-78,454.75

(61) Non-operating income

1. Breakdown of non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Gain on retirement of damaged non-current assets	719,760.47	491,470.55	719,760.47
Including: Gain on retirement of damaged fixed assets	719,760.47	491,470.55	719,760.47
Government grants not relating to day-to-day activities	4,425,312.28	3,880,195.98	4,425,312.28
Compensation for land parcel storage	1,279,251,223.80		1,279,251,223.80
Compensation for relocation and lose from suspension of production	999,262,074.35		999,262,074.35
Penalty income	8,494,211.97	232,889.26	8,494,211.97
Compensation for asset relocation		538,425,711.69	
Transfer from claims under the balance of social security fund		6,452,562.32	
Others	2,246,847.96	4,020,701.97	2,246,847.96
Total	2,294,399,430.83	553,503,531.77	2,294,399,430.83

The amount included in non-recurring gains and losses for the year was RMB2,294,399,430.83 (last year: RMB 553,503,531.77).

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Note 1: On 26 April 2019, Wenchong Shipyard, a subsidiary of the Company, and Guangzhou Wenchong Industrial Co., Ltd. signed the Wenchong Shipyard Phase I Relocation Agreement, to facilitate the demolition, relocation and resettlement in area of west of Wenchuan Road. According to the compensation standard for the relocation and production suspension of the relocated land in the first phase, Wenchong Industry provided the corresponding compensation of RMB1.4 billion to Wenchong Shipyard, and Wenchong Shipyard realized a net income of RMB 999 million.

Note 2: On 18 November 2019, Guangzhou Shipyard International, a subsidiary of the Company and Guangzhou Shipyard Shipping Co., Ltd. signed the Compensation Agreement for Acquisition and Storage of Parcel One of Liwan Plant in Guangzhou Shipyard International (《廣船國際荔灣廠區收儲地塊壹補償協議》), pursuant to which, Guangzhou Shipyard Shipping Co., Ltd. paid Guangzhou Shipyard International the land acquisition and storage fee of RMB1.427 billion for the Guangzhou Shipyard International Liwan land parcel and recognised a net gain on land parcel storage of RMB1.279 billion. On 20 December 2019, Guangzhou Municipal Planning and Natural Resources Bureau duly released the Guangzhou Planning and Natural Resources Bureau's Online Listing and Transfer of State-owned Land Use Rights Announcement (Sui Guihua Ziyuan Guachu Gao Zi [2019] No.66) (《廣州市規劃和自然資源局國有土地使用權網上掛牌出讓公告》(穗規劃資源掛出告字[2019]66號)) in relation to the acquisition and storage of land parcel for the Guangzhou Shipyard International Liwan Plant, the acquisition and storage of parcel one of Liwan Plant has been list since 20 December 2019.

2. Breakdown of government grants not relating to day-to-day activities

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Use of subsidy for shore power	2,120,000.00		Guangzhou Salvage Bureau	Relating to revenue
Subsidy for separation and transfer of water, power and gas supply and property management business	1,820,129.88	1,820,129.88	Finance in Huangpu District	Relating to revenue
Medical expense subsidy for retired cadres	230,000.00	250,000.00	National government subsidy	Relating to revenue
Government subsidy for special hardship enterprises		1,254,800.00	Chuan Gong Cai [2018] 794	Relating to revenue
Special funds for fair trade in imports and exports		300,000.00	Commercial Aiding Letter [2017] 24	Relating to revenue
Trade friction response research fund		165,000.00	Guangdong Commercial Aiding Letter [2017] 24	Relating to revenue
Other projects	255,182.40	90,266.10		Relating to revenue
Total	4,425,312.28	3,880,195.98	-	-

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

(62) Non-operating expenses

Item	Current year	Last year	Amount included in non-recurring gains and losses for the year
Loss on retirement of damaged non-current assets	1,706,255.48	4,334,382.06	1,706,255.48
Penalty and late payment fee	1,381,702.68	1,644,891.58	1,381,702.68
External donation	216,308.35	991,811.10	216,308.35
Others	1,106,569.46	56,816,350.62	1,106,569.46
Total	4,410,835.97	63,787,435.36	4,410,835.97

The amount included in non-recurring gains and losses for the year was RMB4,410,835.97 (last year: RMB63,787,431.26).

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(63) Income tax expense

1. Income tax expense

Item	Amount for the year	Amount for last year
Current income tax – PRC enterprise income tax	1,356,407.31	-7,619,024.57
1. China	1,356,407.31	-7,619,024.57
2. Hong Kong		
3. Macau income tax		
Deferred tax	61,182,041.29	21,543,842.30
Total	62,538,448.60	13,924,817.73

2. Reconciliation sheet between income tax expenses and total profit

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

Item	Amount for the year
Total consolidated profit for the year	991,084,733.72
Income tax expenses calculated at statutory/applicable tax rate	247,771,183.43
Impact of different tax rates for subsidiaries	-81,332,844.06
Impact of adjustment for income tax for previous period	-1,751.83
Impact of non-taxable income	-4,314,609.24
Impact of non-deductible costs, expenses and losses	2,985,925.82
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-127,118,974.95
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	72,261,548.86
Other (including the effect of deduction)	-47,712,029.43
Income tax expense	62,538,448.60

(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 RMB1.90 million (2018: RMB2.42 million). The auditors engaged by the Company are WUYIGE Certified Public Accountants LLP, which has been newly hired since 2019.

(66) Depreciation and amortisation

Item	Current year	Last year
Depreciation of fixed assets	724,752,347.33	710,579,883.83
Amortisation of intangible assets	59,574,411.05	59,779,481.34
Depreciation of right-of-use assets	52,516,151.80	
Amortisation of long-term prepaid expenses	15,197,057.54	16,710,046.29
Depreciation of investment properties	628,712.16	628,712.16
Total	852,668,679.88	787,698,123.62

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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(67) Gain (or loss) on disposal of investments or properties

There was no gain on disposal of investments or property during the period (investment income during last period in the amount of RMB28,432,071.85 recognised for the difference of the value of South Special Coating, a subsidiary of the Company whose control was lost by the Company as it applied for bankruptcy, of nil and the carrying value of its net assets).

(68) Operating rental expense

Operating rental expense for the year is RMB51,751,340.04 (last year: RMB49,695,529.86), of which rental expense for machinery and equipment is RMB15,985,899.18 (last year: RMB12,892,340.60).

(69) Rental income

Operating rental income for the year is RMB63,363,026.08 (last year: RMB50,937,102.83), including rental income from land and buildings of RMB23,737,650.89 (last year: RMB32,745,231.01).

(70) Earnings per share

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

Item	No.	Current year	Last year
Net profit attributable to shareholders of the Company	1	548,320,338.54	-1,869,014,160.08
Non-recurring gains and losses attributable to the Company	2	1,565,413,108.80	-111,482,742.70
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	-1,017,092,770.26	-1,757,531,417.38
Total number of shares at the beginning of the year	4	1,413,506,378.00	1,413,506,378.00
Number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)	5		
Number of shares increased due to issuance of new shares or debt for equity swap (II)	6		
Number of months from the month following the month in which the number of shares is increased to the end of the year (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the month following the month in which the number of shares is decreased to the end of the year	9		
Number of shares decreased due to capital reduction	10		
Number of months in the Reporting Period	11	12.00	12.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,413,506,378.00
Weighted average number of ordinary shares outstanding following adjustments in relation to business combination under common control for the purposes of earnings per share after deduction of non-recurring gains and losses	13		1,413,506,378.00
Basic earnings per share (I)	14=1÷12	0.3879	-1.3223
Basic earnings per share (II)	15=3÷13	-0.7196	-1.2434
Potential diluted interests of ordinary shares recognised as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted earnings per share (I)	20=[1+(16-18)×(1-17)]÷(12+19)	0.3879	-1.3223
Diluted earnings per share (II)	21=[3+(16-18)×(1-17)]÷(13+19)	-0.7196	-1.2434

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(71) Dividends

Details of dividends declared and paid and proposed during the track record period were as follows:

1. Year ended 31 December 2018

Pursuant to a resolution of the annual general meeting of 2017 of the Company held on 29 May 2018, the Company will not distribute dividend or increase its share capital by way of capitalisation of capital reserve for 2017.

2. Year ended 31 December 2019

Pursuant to a resolution of the annual general meeting of 2018 of the Company held on 28 May 2019, the Company will not distribute dividend or increase its share capital by way of capitalisation of capital reserve for 2018.

(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	Amount for the year	Amount for last year
Raw materials consumed	13,577,915,538.16	12,494,462,968.47
Employee compensation expenses	4,529,053,666.94	4,200,945,096.67
Product fee	2,389,635,134.74	2,254,288,601.90
Depreciation expenses	777,897,211.29	711,208,595.99
Fuel power fee	325,272,358.33	320,999,299.61
Balance of product payment	295,956,563.98	350,670,207.17
Amortisation expenses	74,771,468.59	76,489,527.63
Others	584,467,982.89	330,067,416.04
Total	22,554,969,924.92	20,739,131,713.48

(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	Amount for the year	Amount for last year
Income from other current accounts received	452,624,118.87	348,967,468.45
Government grants	380,095,154.86	127,531,614.71
Receipt/recovery of deposit	73,042,130.99	98,934,114.75
Interest income	92,016,074.43	43,251,784.98
Income from compensation for relocation	764,000,000.00	
Income from compensation for land parcel storage	724,607,047.26	
Product subsidy	51,634,699.20	
Other non-operating income	54,916,768.14	3,071,423.40
Total	2,592,935,993.75	621,756,406.29

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(2) *Other cash payments relating to operating activities*

Item	Amount for the year	Amount for last year
Payment of other current accounts	439,091,349.29	348,358,881.12
Security deposit	72,354,641.45	271,554,329.84
Administrative expense	159,486,488.18	167,952,229.59
Reserve funds	93,139,213.36	101,827,286.10
Non-operating expenses	1,753,689.91	74,465,985.27
Relocation expenses		42,738,803.76
Selling expenses	12,445,161.38	25,861,433.98
Bank charges	11,642,680.20	7,045,822.10
Warranty expenses	43,376,882.75	101,764,683.80
Total	833,290,106.52	1,141,569,455.56

(3) *Other cash receipts relating to investing activities*

Item	Amount for the year	Amount for last year
Release of pledge on fixed deposits	3,949,187,403.31	776,608,680.74
Interest income from fixed deposits and other interest income	122,747,391.55	98,289,104.14
Gain on entrusted wealth management products	2,169,863.01	20,099,178.08
Total	4,074,104,657.87	894,996,962.96

(4) *Other cash payments relating to investing activities*

Item	Amount for the year	Amount for last year
Fixed deposit and fund subject to restrictions on use	5,707,586,625.30	1,870,441,400.15
Entrusted wealth management products	283,697,089.33	70,000,000.00
Fixed assets upgrading expense		69,115,260.46
Forward instrument delivery expenses		13,157,255.00
Long-term prepaid expenses	4,314,672.13	1,834,495.98
Total	5,995,598,386.76	2,024,548,411.59

(5) *Other cash receipts relating to financing activities*

Item	Amount for the year	Amount for last year
State grant	253,000,000.00	116,790,000.00
Total	253,000,000.00	116,790,000.00

(6) *Other cash payments relating to financing activities*

Item	Amount for the year	Amount for last year
Loan handling fee		1,003,400.00
Leased asset expense	19,067,561.81	
Total	19,067,561.81	1,003,400.00

NOTES TO THE FINANCIAL STATEMENTS

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2. Supplementary information on consolidated cash flow statement

Item	Current year	Last year
1. Reconciliation of net profit and cash flows from operating activities:		
Net profit	928,546,285.12	-2,474,150,150.26
Add: Provision for impairment of assets	309,576,180.58	677,141,653.24
Loss on impairment of credit assets	16,832,835.84	39,371,984.45
Depreciation of fixed asset, consumption of oil and gas assets, depreciation of productive biological assets	777,897,211.29	711,208,595.99
Amortisation of intangible assets	59,574,411.05	59,779,481.34
Amortisation of long-term prepaid expenses	15,197,057.54	16,710,046.29
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")	78,454.75	-1,303,386.17
Loss on retirement of fixed assets (gain expressed with "-")	986,495.01	3,842,911.51
Loss on changes in fair value (gain expressed with "-")	79,586,877.26	423,444,863.37
Finance cost (gain expressed with "-")	375,978,675.94	342,413,880.22
Loss on investments (gain expressed with "-")	-32,402,655.69	123,820,055.10
Decrease in deferred tax assets (increase expressed with "-")	62,180,792.61	22,791,404.51
Increase in deferred tax liabilities (decrease expressed with "-")	564,279.45	1,228,347.63
Decrease in inventories (increase expressed with "-")	616,571,490.95	-289,953,835.06
Decrease in operating receivables (increase expressed with "-")	-1,835,854,354.52	-3,003,025,187.49
Increase in operating payables (decrease expressed with "-")	2,360,239,963.78	1,801,769,201.10
Others		
Net cash flows from operating activities	3,735,554,000.96	-1,544,910,134.23
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	10,683,490,790.99	8,536,815,355.09
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	2,146,675,435.90	-3,097,766,756.32

3. Net cash paid for acquisition of subsidiaries during the year

Item	Current year
Cash and cash equivalents paid in relation to business combinations occurred during the year	990,000.00
Including: Wenchuan Yuansheng	990,000.00
Net cash paid for acquisition of subsidiaries	990,000.00

4. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	10,683,490,790.99	8,536,815,355.09
Including: Cash on hand	206,485.11	194,222.57
Bank deposits available for use on demand	10,683,284,305.88	8,536,592,047.52
Other cash at bank and on hand for use on demand		29,085.00
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents at the end of the year	10,683,490,790.99	8,536,815,355.09

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

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

Item	Carrying value as at the end of the year	Reasons for restrictions
Cash at bank and on hand	3,633,875,308.94	Fixed deposits with maturity of over 3 months, security 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			945,266,107.74
Including: USD	98,777,370.58	6.9762	689,090,692.64
EUR	20,607,870.44	7.8155	161,060,811.42
JPY	125,333.00	0.0641	8,033.85
HKD	106,160,048.27	0.8958	95,098,171.24
Accounts receivable	917.30	9.1501	8,393.39
GBP	6.50	0.8000	5.20
Norwegian Krone			1,214,569,121.59
Including: USD	169,159,650.49	6.9762	1,180,091,553.75
EUR	5,279.42	7.8155	41,261.31
HKD	35,257,673.77	0.8958	31,583,824.16
MOP	3,277,585.17	0.8703	2,852,482.37
Interest receivable			277,040.60
Including: USD	9,843.67	6.9762	68,671.41
HKD	232,606.82	0.8958	208,369.19
Other receivables			96,262,973.01
Including: USD	12,613,386.96	6.9762	87,993,510.11
EUR	110,400.00	7.8155	862,831.20
HKD	8,268,175.60	0.8958	7,406,631.70
Long-term receivables			1,281,952,604.11
Including: USD	183,760,873.27	6.9762	1,281,952,604.11
Accounts payable			39,999,804.75
Including: USD	3,537,020.98	6.9762	24,674,965.76
EUR	55,200.00	7.8155	431,415.60
HKD	16,625,835.44	0.8958	14,893,423.39
Other payables			23,883,820.10
Including: USD	2,573,494.66	6.9762	17,953,213.45
HKD	6,620,458.42	0.8958	5,930,606.65
Interest payable			410,746.80
Including: USD	58,878.30	6.9762	410,746.80
Short-term borrowings			241,368,148.56
Including: USD	34,598,800.00	6.9762	241,368,148.56
Long-term receivable			2,446,877.70
Including: HKD	2,731,500.00	0.8958	2,446,877.70

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(76) Government grants

1. Basic information on government grants

Type	Amount	Item presented	Amount included in profit or loss
Grant for insurance maintained for first piece (set)	194,929,780.81	Selling expenses	194,929,780.81
Interest subsidy for transformation into civil development	29,180,000.00	Finance costs	29,180,000.00
Immediately refunded value-added tax of self-developed software	1,438,098.94	Other income	1,438,098.94
Localization and application verification of aluminum alloy (Russian) and its supporting materials	2,000,000.00	Research and development expenses	2,000,000.00
Localization and application verification of aluminum alloy (Russian) and its supporting materials	2,670,000.00	Deferred income	
Research on integrated application technology of smart logistics and accurate distribution unit in ship construction process	1,500,000.00	Deferred income	
Research on key technology of high-tech ship logistics and assembly system	1,000,000.00	Deferred income	
Research on manufacturing control technology of hull section intelligent workshop	1,700,000.00	Research and development expenses	1,700,000.00
Key technology of overall process	2,700,000.00	Research and development expenses	2,700,000.00
Research of equipment solution to and common key technologies for smart manufacturing of ships	100,000.00	Research and development expenses	100,000.00
Research of equipment solution to and common key technologies for smart manufacturing of ships	1,598,113.21	Deferred income	
Project Smart Ship 1.0- Equipment operation and maintenance and development of smart system	584,000.00	Research and development expenses	584,000.00
Project Smart Ship 1.0- Aided ship autopilot system development	510,000.00	Research and development expenses	510,000.00
Research on technology of battery-powered ships	679,245.28	Research and development expenses	679,245.28
2019 complete equipment project of total assembly and construction of ships	92,768.88	Research and development expenses	92,768.88
2019 complete equipment project of total assembly and construction of ships	3,407,231.12	Deferred income	
Research of equipment solution to and common key technologies for smart manufacturing of ships	110,592.84	Research and development expenses	110,592.84
Research of equipment solution to and common key technologies for smart manufacturing of ships	1,389,407.16	Deferred income	
Integration and promotion of active safety protection technology for ship industry control system	2,100,000.00	Research and development expenses	2,100,000.00
Research on manufacturing control technology of hull section intelligent workshop	934,917.44	Research and development expenses	934,917.44
Research on manufacturing control technology of hull section intelligent workshop	2,515,082.56	Deferred income	
Research of common key processes and technologies for smart manufacturing of ships	881,827.72	Research and development expenses	881,827.72
Research of key technologies for heavy polar icebreakers	510,000.00	Research and development expenses	510,000.00
Research on ship shafting durability improvement technology	279,277.05	Research and development expenses	279,277.05
Research of energy-saving and environment-friendly manufacturing system and key processes	765,840.60	Research and development expenses	765,840.60
Research of energy-saving and environment-friendly manufacturing system and key processes	134,159.40	Deferred income	
Research on key technology for the design of typical cabins and common areas	92,768.88	Research and development expenses	92,768.88
Research on key technology for the design of typical cabins and common areas	1,907,231.12	Deferred income	
Manned submersible-Maintenance of submersible and its equipment and system upgrade and modification	7,448,770.52	Research and development expenses	7,448,770.52
Research on localized construction process	2,000,000.00	Research and development expenses	2,000,000.00
Research on localized construction process	15,390,000.00	Deferred income	
Research on intelligent management technology of digital production logistics in shipyard based on internet of things	750,000.00	Research and development expenses	750,000.00
Research on key technology of design and construction of steel pipe sinking pipe in Shenzhen-Zhongshan Bridge	3,939,535.38	Research and development expenses	3,939,535.38
Research on key technology of design and construction of steel pipe sinking pipe in Shenzhen-Zhongshan Bridge	250,000.00	Deferred income	
Research of common key processes and technologies for smart manufacturing of ships	8,550,000.00	Research and development expenses	8,550,000.00

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

Type	Amount	Item presented	Amount included in profit or loss
Research of key technologies in construction of smart operation platform of ship industry (Chaunbo Yunwang) (phase I)	3,300,000.00	Research and development expenses	3,300,000.00
Construction of 2019 enterprise innovation system	300,000.00	Research and development expenses	300,000.00
Construction of 2019 enterprise innovation system	200,000.00	Deferred income	
Guangdong Province military-civilian integration pilot on intellectual property right	500,000.00	Research and development expenses	500,000.00
Construction of inspection and testing environment for Guangdong Province ship industry cluster internet platform	21,780,000.00	Deferred income	
Construction of level two section of industrial internet identification of ship industry	8,380,000.00	Deferred income	
Manufacture of prediction and precise servicing technology and system driven by big data	11,030,000.00	Deferred income	
Post-utilisation grant from Guangzhou of high-value patent	500,000.00	Research and development expenses	500,000.00
Post-utilisation grant from Guangzhou of high-value patent	250,000.00	Deferred income	
Industry development fund of "China Made 2025" from Guangzhou City	3,500,000.00	Research and development expenses	3,500,000.00
Specific financial aid from Guangzhou to enterprises upon research and development	15,610,000.00	Research and development expenses	15,610,000.00
Construction of technology centre (including post-utilisation grant)	6,202,800.00	Research and development expenses	6,202,800.00
Key technology research and system development of semi-submersible submersion wisdom control	1,100,000.00	Research and development expenses	1,100,000.00
Breakthrough and use of new process, materials and equipment technology before the application of environmentally friendly coating for ships	1,000,000.00	Research and development expenses	1,000,000.00
National skilled personnel training in 2018	2,575,086.29	production cost	2,575,086.29
Nansha Plant 1# Welding factory section expansion project	155,334.93	Other income	155,334.93
Nansha Plant 1# Welding factory section expansion project	4,844,665.07	Deferred income	
Post-utilisation grant for research and development expenses of enterprises of Guangzhou for 2017	8,498,800.00	Research and development expenses	8,498,800.00
Development and industrialization of multi-functional intelligent unmanned boats in complex marine environment	8,514,023.78	Research and development expenses	8,514,023.78
Development and industrialization of multi-functional intelligent unmanned boats in complex marine environment	3,485,976.22	Deferred income	
Research and construction of key technologies for open test sites for smart unmanned ships	2,172,199.16	Research and development expenses	2,172,199.16
Research and construction of key technologies for open test sites for smart unmanned ships	1,667,800.84	Deferred income	
Research on technology of cruise aesthetics design	337,098.79	Research and development expenses	337,098.79
Research on technology of cruise aesthetics design	942,901.21	Deferred income	
Research of comprehensive building process and technology	2,980,987.48	Research and development expenses	2,980,987.48
Support and security of manned submersible for marine test	2,463,000.00	Research and development expenses	2,463,000.00
Grants for use of onshore power	2,120,000.00	Non-operating income	2,120,000.00
Grants for separation and transfer of water, power and gas supply and property management business	1,820,129.88	Non-operating income	1,820,129.88
Grants for separation and transfer of water, power and gas supply and property management business	29,769,870.12	Deferred income	
Offshore expansion projects	3,500,000.00	Other income	3,500,000.00
Offshore engineering phase I	1,500,000.00	Other income	1,500,000.00
Guangzhou business development special fund service trade and service outsourcing for 2019	1,045,300.00	other income	1,045,300.00
Others	13,212,573.39		6,396,774.04
Total	459,297,196.07		338,368,958.69

2. Information on return of government grants

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

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(77) Leases

1. As lessor

(1) Operating leases

Item	Amount
1. Information on revenue	85,852,742.35
Income from leases	85,852,742.35
2. Undiscounted leasing receivable in the balance sheet for the next five consecutive accounting years	256,733,164.35
The first year	54,181,010.87
The second year	50,639,938.37
The third year	50,639,938.37
The fourth year	50,636,138.37
The fifth year	50,636,138.37
3. The total amount of undiscounted leasing receivable in remaining years	659,380,764.35
Within one year (including one year)	54,181,010.87
Above one year within two years (including two years)	50,639,938.37
Above two years within three years (including three years)	50,639,938.37
Above three years	503,919,876.74

2. As lessee

(1) Information disclosure of lessees

Item	Amount
Interest expense of lease liabilities	5,316,003.84
Expense of short-term leases included in the current profit and loss	39,197,692.81
Leasing expense of low-value assets	
Variable leasing payment not included in the valuation of lease liabilities	
Income generated from the transfer of right-of-use assets	
Total cash outflow related to leases	43,252,716.73
Relevant profit and loss generated from sale and leaseback transactions	
Others	

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VII. CHANGES IN SCOPE OF CONSOLIDATION

(1) Business combination not under common control

1. Business combination the year

The Group's Wenchuan Heavy Industrial acquired 100% equity of Wenchuan Yuansheng with a consideration of RMB 990,000.00 in cash.

Name of acquiree	Time of equity acquisition	Cost of equity acquisition	Percentage of equity acquisition (%)	Way of equity acquisition	Date of purchase	Basis for determination of date of purchase	Revenue of the acquiree from the date of purchase to the end of period	Net profit of the acquiree from the date of purchase to the end of period
Wenchuan Yuansheng	25 September 2019	RMB 990,000	100	Purchase	25 September 2019	Note		

Note: Wenchuan Heavy Industrial paid the price of purchase in full amount, and the procedure of property right transfer has completed. As it can control financial and operating policies of Wenchuan Yuansheng while enjoy relevant benefits and bear risks, 25 September 2019 was determined as the date of purchase.

2. Consideration for combination and goodwill

The cost of the above combination and goodwill was RMB990,000.00 and RMB0 respectively.

3. Recognisable assets and liabilities of the acquiree on the date of purchase

Name of Company	Wenchuan Yuansheng	
	Fair value on the date of purchase	Book value on the date of purchase
Assets :	990,000.00	990,000.00
In which : Intangible assets	990,000.00	990,000.00
Net assets :	990,000.00	990,000.00
Capital reserve	990,000.00	990,000.00
Acquired proportion attributable to the acquiree	990,000.00	990,000.00

(2) Other reasons for the change in scope of consideration

- Minority shareholders of Fongkwang Development Limited of the Group donated 100% equity of Eastwell Engineering Limited to Fongkwang Development Limited on 13 December 2019. On the date of donation, the net asset of Eastwell Engineering Limited was 4,771,500, which was the increase in capital reserve of Fongkwang Development Limited.
- GSI, a subsidiary of the Group, established a wholly-owned subsidiary Wenchong Repair and Build (文冲修造) with a registered capital of RMB 100 million, of which RMB 10 million was allocated for phase I.

Save as the above matters, the Group did not have other changes in scope of consideration.

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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	887,014.46	73.7232		Business combination under common control
Huangpu Wenchong	Guangzhou	Shipbuilding	361,918.32	54.5371		Business combination under common control
Subsidiaries indirectly held through three-level structures						
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
Xingji	Guangzhou	Professional technical services	500		37.50	Establishment through investment
Wah Loong	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment
Wah Shun	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment
Wenchuan Heavy Industrial	Guangzhou	Equipment manufacturing	11000		100.00	Business combination under common control
Wenchong Shipyard	Guangzhou	Shipbuilding	142,017.85		100.00	Business combination under common control
Wenchong Bingshen	Guangzhou	Equipment manufacturing	560		60.00	Business combination under common control
CSSC Internet	Guangzhou	Information electronic technology services	5,000.00		100.00	Establishment through investment
United Steel	Guangzhou	Steel structures	US\$8.85 million		100.00	Establishment through investment
Hongfan Hotel	Guangzhou	Catering services	11,940		100.00	Establishment through investment
GSI Elevator	Guangzhou	Manufacturing of elevators	11,000		100.00	Establishment through investment
Hongfan Technology	Guangzhou	Software development	500		51.00	Establishment through investment
Guangli	Guangzhou	Provision of services	500		100.00	Establishment through investment
Equipment	Guangzhou	Equipment manufacturing	18,861		100.00	Establishment through investment
Zhongshan GSI	Zhongshan	Equipment manufacturing	70,000		100.00	Establishment through investment
Longxue Pipe	Guangzhou	Pipe processing	7,000		42.86	Business combination under common control
Glory Group	Hong Kong	General trading	HK\$30 million		100.00	Establishment through investment
Fonkwang	Hong Kong	General trading	HK\$200,000		80.00	Establishment through investment
Wenchong Dockyard	Guangzhou	Ship maintenance and modification	164,384.10		100.00	Business combination under common control
Guangzhou Wenchong Ship Building and Repair	Guangzhou	Ship maintenance and modification	10,000		100.00	Establishment through investment
Subsidiaries indirectly held through four-level structures						
CSSC New Energy	Guangzhou	Liquefied petroleum production and supply	1,800		61.96	Establishment through investment
Wenchuan Yuansheng	Guangzhou	Construction equipment services	3005		100.00	Business combination under common control
Eastwell Engineering	Hong Kong	Engineering services	HK\$7.001 million		100.00	Business combination under common control

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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 Shenzhen Gangwan Energy Co., Ltd. and Guangzhou Jinglue Energy Development Co., Ltd., 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 year	Dividends declared to minority interests for the year	Ending balance of minority interests
GSI	26.2768%	32,164,635.88		1,792,349,260.69
Huangpu Wenchong	45.4629%	343,010,924.39		3,103,518,839.16
Fonkwang	20%	46,537.53	90,000.00	13,048,655.11

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

Name of subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GSI	1,273,506.99	1,036,692.55	2,310,199.54	1,257,010.37	349,398.90	1,606,409.27	1,062,515.17	1,122,109.28	2,184,624.45	1,157,099.13	334,886.23	1,491,985.36
Huangpu Wenchong	2,049,336.12	775,233.59	2,824,569.71	1,690,256.19	422,803.33	2,113,059.52	1,834,699.26	662,615.51	2,497,314.77	1,611,226.27	294,159.89	1,905,386.16
Fonkwang	13,091.41	109.91	13,201.32	6,375.74	301.25	6,676.99	9,571.58	93.31	9,664.89	3,577.99	18.00	3,595.99

(Continued)

Name of subsidiary	Amount for the year				Amount for 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	918,120.04	2,973.28	2,877.39	108,842.95	739,854.24	-129,525.64	-129,736.57	-93,279.76
Huangpu Wenchong	1,263,749.59	101,482.78	102,168.80	263,824.31	1,174,224.77	-115,872.33	-115,735.50	-60,290.42
Fonkwang	10,981.59	23.27	23.27	-1,554.64	4,777.74	120.99	120.99	1,245.47

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.

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

1. Changes in the proportion of ownership interest in subsidiaries

In accordance with relevant regulations such as the "Interim Measures for the Administration of the Restructuring and Reorganization of Military Enterprises and Institutions and the Review of Military Operations on Capital Operations after Listing", the capital reserve formed by state-allocated funds shall be owned by the representative of the investor of state-owned assets, namely China State Shipbuilding Corporation, and converted into state-owned shares in accordance with relevant regulations.

According to the appraised value of the state-owned exclusive capital reserve held by CSSC in GSI and Huangpu Wenchong as of 30 June 2017 and the appraised value of GSI and Huangpu Wenchong as of 30 June 2017 (net of the appraised value of the state-owned exclusive capital reserve), the state-owned exclusive capital reserve shall be separately converted into the registered capital.

The amounts of the state-owned exclusive capital reserve converted into the registered capital were: RMB274,640,000.00 for GSI and RMB1,121,569,744.58 for Huangpu Wenchong. After the conversion of the state-owned exclusive capital reserve into the registered capital and the adjustment of share structure, the Company's capital contributions in GSI and Huangpu Wenchong remained unchanged, i.e. RMB6,539,359,821 and RMB1,973,798,542, respectively. The Company's capital contribution in GSI changed from 76.42% to 73.72%, and the capital contribution in Huangpu Wenchong changed from 69.12% to 54.54%, still having actual control rights over the two subsidiaries.

The other shareholders of CSSC New Energy increased the capital contribution of RMB1.2 million, and the Company's capital contribution in CSSC New Energy changed from 78.09% to 61.96%, still having actual control rights.

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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

Note: The Group had 60% of shareholding in Nanfeng Environment Co.,Ltd, According to Articles of Association the Group implemented common control on Nanfeng Environment Co., Ltd and equity was adopted for accounting. In January 2020, Nanfeng Environment had become a Shareholding Subsidiary of the Group (please see note XV.(1)).

2. Key financial information of significant joint ventures

Item	Nanfeng Environment Co., Ltd.	
	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Current assets:	210,041,365.19	309,033,123.33
Including: Cash and cash equivalents	21,122,753.01	55,834,125.49
Non-current assets	38,055,405.35	41,913,960.29
Total assets	248,096,770.54	350,947,083.62
Current liabilities:	147,535,398.49	256,950,786.46
Non-current liabilities		
Total liabilities	147,535,398.49	256,950,786.46
Minority interests	16,558,233.36	14,121,598.24
Equity attributable to shareholders of the Company	84,003,138.69	79,874,698.92
Share of net assets based on shareholding percentage	50,401,883.21	47,924,819.35
Adjustments		
– Goodwill		
– Unrealized profit from intra-group transactions		
– Others	-93,136.11	
Carrying amount of equity investments in joint ventures	50,308,747.10	47,924,819.35
Fair value of investments in joint ventures with public quoted prices		
Operating income	566,560,189.09	411,139,657.94
Finance costs	4,063,377.15	1,122,959.73
Income tax expense	4,360,373.16	1,403,981.88
Net profit	6,565,074.89	-21,866,286.02
Other comprehensive income		
Total comprehensive income	6,565,074.89	-21,866,286.02
Dividends received from joint ventures during the year		

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3. Key financial information of significant associates

CSSC Chengxi Yangzhou Shipbuilding Company Limited		
Item	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Current assets:	463,630,505.41	683,829,891.75
Including: Cash and cash equivalents	17,872,978.15	47,877,556.08
Non-current assets	1,046,204,336.27	1,015,630,437.96
Total assets	1,509,834,841.68	1,699,460,329.71
Current liabilities:	201,865,422.65	392,052,311.71
Non-current liabilities		
Total liabilities	201,865,422.65	392,052,311.71
Minority interests		
Equity attributable to shareholders of the Company	1,307,969,419.03	1,307,408,018.00
Share of net assets based on shareholding percentage	640,905,015.32	640,629,928.82
Adjustments		
– Others	521,273.01	521,273.01
Carrying amount of equity investments in associates	641,426,288.33	641,151,201.83
Operating income	606,912,821.89	677,329,815.95
Finance costs	-1,711,224.31	-3,665,490.77
Income tax expense	369,637.57	319,346.48
Net profit	738,328.83	655,288.14
Carrying amount of equity investments in associates		
Other comprehensive income		
Total comprehensive income	738,328.83	655,288.14
Dividends received from associates during the year	86,694.62	669,528.43

4. Aggregated financial information of insignificant joint ventures and associates

Item	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Joint ventures:		
Total carrying amount of investments	1,215,232.17	306,828.15
Amounts in aggregate in proportion to the shareholdings		
– Net profit	908,404.02	255,828.15
– Other comprehensive income		
– Total comprehensive income	908,404.02	255,828.15
Associates:		
Total carrying amount of investments	60,744,455.03	51,552,448.78
Amounts in aggregate in proportion to the shareholdings		
– Net profit	8,082,980.88	1,535,486.39
– Other comprehensive income		
– Total comprehensive income	8,082,980.88	1,535,486.39

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 year, 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 and cash equivalents-USD	98,777,370.58	292,532,826.34
Cash and cash equivalents-HKD	106,160,048.27	107,093,975.05
Cash and cash equivalents-EUR	20,607,870.44	5,938,372.46
Cash and cash equivalents-JPY	125,333.00	125,329.00
Cash and cash equivalents-GBP	917.30	917.3
Cash and cash equivalents-Norwegian Krone	6.50	6.49
Accounts receivable-USD	169,159,650.49	99,824,027.48
Accounts receivable-HKD	35,257,673.77	18,279,072.74
Accounts receivable-EUR	5,279.42	234,772.30
Accounts receivable-MOP	3,277,585.17	
Other receivables-USD	12,613,386.96	151,500.50
Other receivables-HKD	8,268,175.60	2,424,538.69
Other receivables-EUR	110,400.00	55,200.00
Interest receivable-USD	9,843.67	171,081.93
Interest receivable-HKD	232,606.82	256,819.92
Long-term receivables due within one year-USD	183,760,873.27	9,240,000.00
Long-term receivables-USD		62,689,864.61
Accounts payable-USD	3,537,020.98	3,441,968.13
Accounts payable-EUR	55,200.00	29,904.00
Accounts payable-HKD	16,625,835.44	343,427.35
Other payables-USD	2,573,494.66	42,991.42
Other payables-HKD	6,620,458.42	139,125.00
Interest payable-USD	58,878.30	65,000.00
Short-term borrowings-USD	34,598,800.00	60,843,270.00
Short-term borrowings-EUR		230,362.70
Long-term receivable-HKD	2,731,500.00	

The Group pays close attention to the impact of exchange rate changes on the Group, and attaches importance to the study of exchange rate risk management policies and strategies. It adjusts the structure of foreign currency assets or liabilities in 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 year, the Group's bank borrowings mainly included fixed interest rate contracts denominated in RMB and USD with total amount of RMB8,231,739,148.56 (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 RMB6,205,000,000.00 (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 year, 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 RMB902,084,695.32 (at the beginning of the year: RMB1,101,351,154.29) in total; long-term receivables amounted to RMB2,827,870,145.86 (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 institutions to maintain 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 year, the unutilised bank facilities of the Group were RMB26,078 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 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets	19,924,310,801.71	1,758,658,505.80	671,515,546.84	643,741,926.01	22,998,226,780.36
Cash at bank and on hand	14,317,366,099.93				14,317,366,099.93
Financial assets held-for-trading	48,785,784.80				48,785,784.80
Notes receivable	633,564,863.60				633,564,863.60
Accounts receivable	2,390,628,704.48				2,390,628,704.48
Other receivables	1,858,170,552.13				1,858,170,552.13
Interest receivable	8,794,796.77				8,794,796.77
Long-term receivables	667,000,000.00	1,758,658,505.80	671,515,546.84	572,493,191.52	3,669,667,244.16
Investments in other equity instruments				71,248,734.49	71,248,734.49
Long-term receivables	21,064,126,880.38	4,225,673,137.27	376,872,999.69	2,049,902,963.44	27,716,575,980.78
Short-term borrowings	6,220,669,726.05				6,220,669,726.05
Financial liabilities held-for-trading	221,737,672.75				221,737,672.75
Notes payable	3,063,415,001.67				3,063,415,001.67
Accounts payable	8,687,397,898.75				8,687,397,898.75
Other payables	309,155,631.32				309,155,631.32
Dividends payable	394,042.49				394,042.49
Interest payable	35,332,096.80				35,332,096.80
Employee benefits payable	40,446,901.64				40,446,901.64
Taxes payable	72,234,563.79				72,234,563.79
Long-term employee benefits payable	20,590,000.00	28,786,445.00	97,432,567.33	156,870,000.00	303,679,012.33
Long-term borrowings	2,392,753,345.12	4,196,886,692.27	279,440,432.36	1,893,032,963.44	8,762,113,433.19

(2) Sensitivity analysis

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

1. Exchange rate risk sensitivity analysis

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

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

Item	Change in exchange rate	Current year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Strengthen by 5% against RMB	414,362,556.01	414,362,556.01	326,013,248.69	326,013,248.69
USD	Weaken by 5% against RMB	-458,061,796.56	-458,061,796.56	-318,591,405.39	-318,591,405.39

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2. Interest rate risk sensitivity analysis

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

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

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

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

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

Item	Change in interest rate	Current year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-21,243,109.15	-21,243,109.15	-51,623,841.25	-51,623,841.25
Floating-rate borrowings	Decrease by 1%	21,243,109.15	21,243,109.15	51,623,841.25	51,623,841.25

X. DISCLOSURE OF FAIR VALUE

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

Item	Fair value at the end of the year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Fair value measurement on a recurring basis				
(i) Financial assets held-for-trading		48,785,784.80		48,785,784.80
1. Financial assets at fair value through profit or loss		48,785,784.80		48,785,784.80
(ii) Investment in other equity instruments	6,556,991.46		64,691,743.03	71,248,734.49
1. Financial assets at fair value through other comprehensive income	6,556,991.46		64,691,743.03	71,248,734.49
Total assets measured at fair value on a recurring basis	6,556,991.46	48,785,784.80	64,691,743.03	120,034,519.29
(ii) Financial liabilities held-for-trading		221,737,672.75		221,737,672.75
1. Financial liabilities at fair value through profit or loss		221,737,672.75		221,737,672.75
Total liabilities measured at fair value on a recurring basis		221,737,672.75		221,737,672.75

(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 31 December 2019.

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

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

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

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(i) Relationship with related parties

1. Controlling shareholder and ultimate controller

(1) Controlling shareholder and ultimate controller

Name of controlling shareholder and ultimate controller	Place of incorporation	Business nature	Registered capital	Shareholding percentage in the Company (%)	Percentage of voting rights in the Company (%)
CSSC	Shanghai	Shipbuilding	RMB32 billion	35.50	59.97

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

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

Controlling shareholder	Beginning balance	Increase for the year	Decrease for the year	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 year	Percentage at the beginning of the year	
CSSC	501,745,100.00	501,745,100.00	35.5	35.5	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	

2. Subsidiaries

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

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3. Other related parties

Type of relationship	Name of related party	Content of major transactions	Code of organisation
Other enterprises under common control of controlling shareholder and actual controller			
	China Shipbuilding Industry Corporation	Asset reorganization	71092446X
	China CSSC Holdings Limited	Asset reorganization	631899761
	Guangzhou Shipyard Co., Ltd.	Purchase of materials, 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
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Product and equipment	134905382
	Shanghai Merchant Vessel Design and Research Institute	Marine accessories and technical labour services	717810086
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Marine accessories	56586979
	Anqing CSSC Diesel Engine Co., Ltd.	Product and equipment	151306277
	CSSC Marine Power Co. Ltd.	Marine accessories, product and equipment	731778430
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	190550010
	China Shipbuilding NDRI Engineering Co., Ltd.	Labour and technical services	425014619
	Guangzhou Ship Industrial Co., Ltd.	Purchase of goods and receipt of services	190506722
	China State Shipbuilding Corporation No.11 Research Institute	Marine accessories, products and equipment	71780666-9
	Marine Design and Research Institute of China	Purchase of goods and receipt of services	425007603
	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories, products and equipment	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
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	Technical labour services	67464709-7
	China United Shipbuilding Company Limited	Purchase of goods and receipt of services	Overseas company
	Jiujiang CSSC Chang'an Fire Equipment Manufacture Co., Ltd.	Marine accessories	792801606
	China Ship Power Station Equipment Co., Ltd.	Product and equipment	756976070
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Purchase of goods and receipt of services	766907124
	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
	Jiangxi Chaoyang Machinery Factory	Purchase of goods and receipt of services	158261489
	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.	Sale 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

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Type of relationship	Name of related party	Content of major transactions	Code of organisation
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	Sale of goods and provision of services	717806431
	CSSC Chengxi Shipbuilding Co., Ltd.	Sale of goods and provision of services, assets leasing	142243024
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Sale of goods and provision of services	631423632
	CSSC Science & Technology Co., Ltd.	Sale 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
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Purchase of goods and receipt of services	598860469
	CSSC Marine Technology Co., Ltd.	Purchase of goods and receipt of services	767236625
	CSSC Shanghai Ship Industrial Co., Ltd.	Purchase of goods and receipt of services	132204830
	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	059544985
	China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	051227838
	CSSC Electronic Technology Co., Ltd.	Purchase of goods and receipt of services	10201629X
	CSSC Chengxi Xinrong Shipbuilding Company Limited	Sale of goods and provision of services	755884625
	Zhenjiang Shipyard Modern Power Generation Equipment 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 CSSC Materials Engineering Co., Ltd.	Purchase of goods and receipt of services	593108825
	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
	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
	China State Shipbuilding Corporation No.11 Research Institute	Purchase of goods and receipt of services	717806669
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Purchase of goods and receipt of services	742362916
	Jiulong Steel Logistics Co., Ltd.	Sale of goods and provision of services	567755594
	Jiujiang CSSC Fire Automation Co., Ltd.	Purchase of goods and receipt of services	091090522
	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
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	Purchase of goods and receipt of services	660813517

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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
	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	082890640
	Technician Training School of Guangzhou Shipyard	Rendering of services	574022487
	Guangzhou Hairong Industrial Co., Ltd.	Purchase of goods and receipt of services	190458329
	Workers' Hospital of Guangzhou Huangpu Shipyard	Rendering of services	738578028
	Kindergarten of Guangzhou Huangpu Shipyard	Rendering of services	738577981
	Guangzhou Huamao Center	Rendering of services	618407582
	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and 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 equipment	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 Nanfang Special Coating Co., Ltd.	Labour services	70823848-7
	Jiujiang Zhongchuan Instrument Co., Ltd.	Marine accessories	79283886-3
	CSSC Chengxi Senior Technical School	Rendering of services	
	Guangzhou GSI Nursing Home Co., Ltd.	Sale of goods	MA59L7Q0-3
	Design and Research Institute of China Shipbuilding and Marine Engineering	Rendering of services	
	Shanghai Shipbuilding Technology Research Institute	Sale of goods and provision of services	
	Jiangyin Huaerxin Special Coating Co., Ltd.	Sale of goods and provision of services	60798463-2
	Shanghai Zhen Nan Engineering Supervision Co., Ltd.	Purchase of goods and receipt of services	13254268-8
	Guangzhou Wenchong Properties Co., Ltd.	Purchase of goods and receipt of services	MA5CK3CP-5
	CSSC Marine Services Co., Ltd.	Purchase of goods and receipt of services	MA1K3M2Q-9
	CSSC Financial Leasing (Shanghai) Co., Ltd.	Purchase of goods and receipt of services	09000639-2

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Type of relationship	Name of related party	Content of major transactions	Code of organisation
	China Ship News Agency	Purchase of goods and receipt of services	
	Beijing CSSC Consulting Co., Ltd.	Purchase of goods and receipt of services	66051384-8
	Shanghai Jiangnan Career Skills Training Center	Purchase of goods and receipt of services	
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	Purchase of goods and receipt of services	716969087
	Dalian Shipbuilding Industry Marine Engineering Company Limited(大連船舶工業海洋工程有限公司)	Purchase of goods and receipt of services	241233809
	Dalian Ship Valve Company Limited(大連船用閥門有限公司)	Purchase of goods and receipt of services	118521792
	TTS Bohai Trading (DaLian) Co.,Ltd.	Purchase of goods and receipt of services	773011078
	Henan Diesel Engine Heavy Engineering Co., Ltd.	Purchase of goods and receipt of services	663439559
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Purchase of goods and receipt of services	750419038
	Shaanxi Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	755231771
	International Paints of Shanghai Co. Ltd.	Purchase of goods and receipt of services	607242559
	Shanghai Hengtuo Industrial Development Co., Ltd.(上海衡拓實業發展有限公司)	Purchase of goods and receipt of services	682276775
	Wuhan Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	758151128
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	Purchase of goods and receipt of services	177685180
	Yinghui South Ship building (Guangzhou Fanyu) Co., Ltd.	Purchase of goods and receipt of services	618784230
	Shanghai Marine Energy Saving Technology Development Co., Ltd	Purchase of goods and receipt of services	324445479
	CSIC Haisheng Technology Co., Ltd. (中船重工海聲科技有限公司)	Purchase of goods and receipt of services	760672977
	CSIC Tianhe Ship Equipment Jiangsu Co.,Ltd.(中船重工天禾船舶設備江蘇有限公司)	Purchase of goods and receipt of services	056671524
	CSIC material trade group Guangzhou Co., Ltd.	Purchase of goods and receipt of services	552381964
	CSIC Zhongnan Equipment Co., Ltd.	Purchase of goods and receipt of services	757020943
	CSIC Chongqing Changping Machinery Co., Ltd.(中船重工重慶長平機械有限責任公司)	Purchase of goods and receipt of services	207901754
	China National Shipbuilding Equipment & Materials (East China) Co., Ltd	Purchase of goods and receipt of services	132203213
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd	Purchase of goods and receipt of services	190332072
	China Shipbuilding Industry Corporation 702 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 707 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 707 Research Institute Jiujiang branch	Purchase of goods and receipt of services	739183968
	China Shipbuilding Industry Corporation 704 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 701 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 722 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 726 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 723 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 725 Research Institute	Purchase of goods and receipt of services	MA3X4HHL0
	China Shipbuilding Industry Corporation 718 Research Institute	Purchase of goods and receipt of services	105571133

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Type of relationship	Name of related party	Content of major transactions	Code of organisation
	China Shipbuilding Industry Corporation 712 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 719 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 716 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 713 Research Institute	Purchase of goods and receipt of services	712675452
	China Shipbuilding Industry Corporation 711 Research Institute	Purchase of goods and receipt of services	
	Chongqing Gearbox Co., Ltd	Purchase of goods and receipt of services	203550723
	Chongqing Huayu Electrical Group Limited (重慶華渝電氣集團有限公司)	Purchase of goods and receipt of services	202826724
	Chongqing Yaojin Machinery Plant Co., Ltd. (重慶躍進機械廠有限公司)	Purchase of goods and receipt of services	202899261
	Wuhan Temo Welding Consumables Co., Ltd.	Purchase of goods and receipt of services	761211961
	Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	733509701
	Wucang Shipbuilding Industry Group Co., Ltd.	Purchase of goods and receipt of services	177688517
	Dalian Shipbuilding Technology Research Center Co., Ltd. (大連船舶工程技術研究中心有限公司)	Purchase of goods and receipt of services	723461441
	CSSC Dalian New Consumables Co., Ltd. (大連中船新材料有限公司)	Purchase of goods and receipt of services	089099384
	China Shipbuilding Equipment & Materials Northeast Corporation	Purchase of goods and receipt of services	117660571
	CSSC Dalian Marine Propeller Co., Ltd.	Purchase of goods and receipt of services	118475968
	Chongqing Zhongchi Transportation Co., Ltd. (重慶重齒運輸有限公司)	Purchase of goods and receipt of services	203586718
	Zibo Torch Energy Co., Ltd. (淄博火炬能源有限責任公司)	Purchase of goods and receipt of services	164109846
	China Shipbuilding Industry Corporation 715 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 717 Research Institute	Purchase of goods and receipt of services	
	Yichang Marine Diesel Co., Ltd	Purchase of goods and receipt of services	179161663
	Wuhan Huazhongtianqin Defense Technology Co., Ltd. (武漢華中天勤防務技術有限公司)	Purchase of goods and receipt of services	587974989
	China Shipbuilding Industry Corporation 725 Research Institute	Purchase of goods and receipt of services	MA3X4HHL0
	Beijing Ruichifeisi Agency Co., Ltd. (北京瑞馳菲思招標代理有限公司)	Purchase of goods and receipt of services	682882601
	CSIC Environmental Engineering Co., Ltd. (中船重工環境工程有限公司)	Purchase of goods and receipt of services	665481953

Enterprises under control of joint ventures of controlling shareholder and ultimate controller

Guangzhou Shipyard Shipping Co., Ltd. (a wholly-owned subsidiary of Shanghai Lingxiang)	Lease of assets	32097191-4
TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	660813517
TTS Hua Hai International Trading Co., Ltd.	Marine accessories	698750056
Guangzhou Zhongdan Ship Design Co., Ltd.	Sale of goods and provision of services	MA5ARB96
Nanfeng Environment Co., Ltd.	Sale of goods and provision of services	MA59N24L-2

Note: In October 2019, CSSC Group performed joint restructuring with China Shipbuilding Industry Corporation (hereinafter referred to as the "CSIC") to newly set up China Shipbuilding Group Co., Ltd.* (中國船舶集團有限公司) (hereinafter referred to as "China Shipbuilding Group"). In November 2019, China Shipbuilding Group, which was newly set up, finished its commercial registration in China's State Administration for Industry and Commerce. On 8 November 2019, members of the Board, Directors, Supervisors, and Senior Management were appointed and the same applied to that of CSSC Group and China Shipbuilding Group. Therefore, CSIC and its subsidiaries became connected parties to the Group and their transactions with the Group became continuous connected transactions.

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(ii) Consolidated related party transactions

The Company and CSSC signed the 2017-2019 Connected Continuing Transaction Framework Agreement, whereby both parties provide services including the provision of electromechanical equipment, metallic materials and accessories, marine complements and equipment for use on ships, the supply of utilities, leases, rendering of services and technical labour services, cash deposit and loan services, other credit services, FX forward contracts, entrusted assets management and guarantee businesses, ship sales agency services and materials purchase agency services in accordance with the agreed terms under this agreement.

The pricing policy of related party transactions: Conducted on normal commercial terms and in the ordinary course of business of the Group (where if there is no or there are not enough transactions for comparison to determine whether the transaction between the parties will be conducted on normal commercial terms, the transaction will be conducted on terms no less favourable than those provided or entitled by independent third parties (as the case maybe), and the transaction shall be fair and reasonable to the shareholders of the Company).

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

(2) Purchase of goods/receipt of services

Related party	Content of transaction	Amount for the year	Amount for last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Materials purchased	3,407,820,497.27	2,753,116,669.27
China United Shipbuilding Company Limited	Marine accessories	118,880,606.80	232,603,400.73
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	276,057,076.57	230,971,671.91
China Shipbuilding Industry Complete Logistics Co., Ltd.	Marine accessories and marine equipment	366,313,484.94	1,101,576.78
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Marine accessories	231,367,324.69	245,862,522.60
Marinequip China Company Limited	Marine accessories	249,259,817.24	56,575,107.30
CSSC Systems Engineering Research Institute	Marine accessories and marine equipment	201,831,444.86	572,284,396.34
CSSC Marine Power Co. Ltd.	Marine accessories	108,352,939.67	166,203,981.42
Ship Engineering Research Centre of Shanghai Shipbuilding	Engineering	68,484,225.60	11,133,899.61
China Shipbuilding Industry Corporation 726 Research Institute	Materials purchased	66,869,400.00	
China Shipbuilding Industry Corporation 713 Research Institute	Materials purchased	56,204,000.00	
China Shipbuilding Industry Corporation 712 Research Institute	Materials purchased	45,980,000.00	
China Shipbuilding NDRI Engineering Co., Ltd.	Technical labour services	44,747,652.94	139,507,605.20
Shanghai Haixun Electrical Engineering Co., Ltd.	Marine accessories	41,743,570.23	68,445,292.89
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labour services	30,966,754.39	38,835,968.23
China Shipbuilding Industry Corporation 715 Research Institute	Materials purchased	35,000,000.00	
Marine Design and Research Institute of China Haiying Enterprises Group Co., Ltd.	Technical labour services	34,583,296.49	40,746,106.39
China Shipbuilding Industry Corporation 716 Research Institute	Marine accessories	34,298,995.65	45,290,000.00
China Shipbuilding Industry Corporation 716 Research Institute	Materials purchased	34,014,000.00	
China National Shipbuilding Equipment & Materials (East China) Co., Ltd	Materials purchased	31,881,998.78	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	29,623,243.60	2,198,311.54
Guangzhou Shipyard HR Service Co., Ltd.	Labour and technical services	27,317,764.27	23,030,905.71
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials purchased	25,364,897.16	25,486,829.19
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	23,193,908.91	11,354,496.92
China Shipbuilding Industry Corporation 708 Research Institute	Technical services	22,744,150.93	
China Shipbuilding Industry Corporation 704 Research Institute	Materials purchased	21,642,500.00	
Shanghai Merchant Vessel Design and Research Institute	Labour and technical services	21,460,000.00	17,583,250.00
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Materials purchased	19,492,982.91	16,503,660.25
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Materials purchased	17,888,404.64	5,031,633.84

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Related party	Content of transaction	Amount for the year	Amount for last year
Wuhan Marine Machinery Co., Ltd.	Materials purchased	17,699,115.04	
China Shipbuilding Industry Corporation 717 Research Institute	Materials purchased	17,510,000.00	
China Shipbuilding Trading Guangzhou Co., Ltd.	Materials purchased	15,475,529.13	6,453,628.11
CSSC Xijiang Shipbuilding Co., Ltd.	Engineering	13,200,854.70	2,674,157.54
China Shipbuilding Trading Co., Ltd.	Materials purchased	12,524,981.67	
China Shipbuilding Industry Corporation 719 Research Institute	Materials purchased	11,203,500.00	
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Marine accessories	11,071,916.18	1,913,740.52
CSSC Nanjing Luzhou Machine Co., Ltd.	Marine accessories	10,370,456.76	29,900,480.17
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	9,966,883.75	18,986,244.51
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Marine accessories and equipment	7,662,579.39	13,188,594.31
Wuhan Heavy Industry Casting & Forging Co., Ltd.	Materials purchased	7,249,093.51	
China Shipbuilding Industry Corporation 711 Research Institute	Materials purchased	6,910,000.00	
TTS Hua Hai International Trading Co., Ltd.	Materials purchased	6,834,888.00	475,675.20
Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Materials purchased	5,883,991.79	
CSSC Chengxi Xinrong Shipbuilding Co., Ltd. (中船澄西新榮船舶有限公司)	Technical services	5,464,097.35	
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	5,442,387.59	9,485,334.75
China Shipbuilding Industry Corporation 725 Research Institute	Materials purchased	5,252,043.01	
Guangzhou Shipyard Hospital	Purchase of goods and receipt of services	5,016,726.38	4,166,255.58
Jiangxi Chaoyang Machinery Co., Ltd.	Materials purchased	4,920,241.75	3,861,702.53
Guangzhou Ship Industrial Co., Ltd.	Materials purchased	4,681,362.38	5,425,039.51
Beijing CSSC Consulting Co., Ltd.	Materials purchased	4,301,724.19	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	4,021,813.44	1,469,464.65
Jiujiang CSSC Fire Automation Co., Ltd.	Marine accessories	3,357,037.17	51,212.71
China Shipbuilding Industry Corporation 710 Research Institute	Materials purchased	3,140,000.00	
China Shipbuilding Industry Corporation 722 Research Institute	Materials purchased	2,902,000.00	
CSIC Zhongnan Equipment Co., Ltd.	Materials purchased	2,700,000.00	
China Shipbuilding International Trading Co., Ltd.	Technical services	1,377,832.75	840,076.51
CSIC (Shanghai) Energy Saving Technology Development Co., Ltd. (中船重工(上海)節能技術發展有限公司)	Materials purchased	2,498,663.79	
Beijing Leiying Electronic Technology Development Co., Ltd.	Marine accessories	2,382,400.00	4,169,200.00
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Marine accessories	2,216,322.29	2,901,874.46
CSSC Hua Hai Ships Equipment Co., Ltd.	Materials purchased	2,040,684.25	58,683.94
Haifeng Navigation Technology Co., Ltd.	Materials purchased	1,953,880.45	
China Shipbuilding Industry Corporation 718 Research Institute	Materials purchased	1,949,290.00	
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Labour and technical services	2,337,588.99	771,663.47
Shaanxi Diesel Engine Co., Ltd.	Materials purchased	1,677,198.00	
CSSC Chengxi Shipbuilding Co., Ltd.	Technical services	67,816.51	
Technician Training School of Guangzhou Huangpu Shipyard	Labour and technical services	1,622,404.93	1,260,056.61
Dalian Marine Propeller Co., Ltd.	Materials purchased	1,454,000.00	
CSSC (Hong Kong) Shipping Company Limited	Labour and technical services	9,042.04	858,542.83
China Shipbuilding IT Co., Ltd.	Labour and technical services	1,201,538.99	17,000,768.47
CSSC Marine Services Co., Ltd.	Materials purchased	1,133,548.83	
CSSC Dalian New Consumables Co., Ltd. (大連中船新材料有限公司)	Materials purchased	716,779.28	

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Related party	Content of transaction	Amount for the year	Amount for last year
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Materials purchased	716,288.75	698,526.04
CSSC Science & Technology Co., Ltd.	Materials purchased	703,332.39	7,247,863.25
CSIC Environmental Engineering Co., Ltd.	Technical services	698,926.77	
Dalian Shipbuilding Industry Marine Engineering Company Limited (大連船舶工業海洋工程有限公司)	Technical services	680,787.00	
China State Shipbuilding Corporation Limited	Materials purchased	676,071.55	1,673,820.75
Workers' Hospital of Guangzhou Huangpu Shipyard	Labour and technical services	664,806.80	2,354,194.60
Dalian Shipbuilding Engineering Technology Research Centre Co., Ltd. (大連船舶工程技術研究中心有限公司)	Technical services	587,025.45	
Shanghai Dongxin Software Engineering Co., Ltd.	Technical services	584,284.43	76,923.08
China Shipbuilding Technology Institute	Labour and technical services	574,945.06	2,408,220.75
Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Labour services	478,230.88	48,155.34
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Materials	413,793.80	481,509.15
China Ship Power Station Equipment Co., Ltd.	Marine accessories and equipment	409,000.00	876,000.00
Henan Diesel Engine Heavy Engineering Co., Ltd.	Materials purchased	393,372.60	
Wuhan Temo Welding Consumables Co., Ltd.	Materials purchased	384,903.90	
CSIC Tianhe Ship Equipment Jiangsu Co., Ltd. (中船重工天禾船舶設備江蘇有限公司)	Materials purchased	360,000.00	
Beijing Ship Industry Management College	Labour and technical services	741,991.53	714,677.35
CSSC Electronic Technology Co., Ltd.	Materials purchased	322,564.10	590,000.00
CSIC Haisheng Technology Co., Ltd. (中船重工海聲科技有限公司)	Materials purchased	300,000.00	
Beijing Ruichifeisi Agency Co., Ltd. (北京瑞馳菲思招標代理有限公司)	Technical services	250,104.83	
Chongqing Zhongchi Transportation Co., Ltd. (重慶重齒運輸有限公司)	Materials purchased	240,000.00	
Dalian Shipbuilding Industry Engineering Company Limited (大連船舶工業工程有限公司)	Technical services	202,288.49	
Chongqing Huayu Electrical Group Limited (重慶華渝電氣集團有限公司)	Materials purchased	200,000.00	
Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Materials purchased	183,520.00	
Shanghai CSSC Materials Engineering Co., Ltd.	Materials purchased	172,433.65	68,396.56
Wah-Chang International Marine Industry Company Limited	Materials purchased	158,906.57	
Wuhan Huazhongtianqin Defense Technology Co., Ltd. (武漢華中天勤防務技術有限公司)	Materials purchased	150,000.00	
Yichang Marine Diesel Engine Co., Ltd. (宜昌船舶柴油機有限公司)	Materials purchased	136,249.86	
Shanghai Simifu Industrial Co., Ltd.	Materials purchased	97,345.13	
Zibo Torch Energy Co., Ltd. (淄博火炬能源有限公司)	Materials purchased	95,103.45	
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Receipt of services	4,053,773.58	408,490.57
Technician Training School of Guangzhou Shipyard	Materials purchased	164,462.52	327,840.73
Shanghai Hudong Shipyard Valve Co., Ltd.	Materials purchased	34,311.44	555,437.93
Anqing Marine Electric Co., Ltd.	Materials purchased	22,717.95	
Chongqing Gearbox Co., Ltd.	Materials purchased	21,070.00	
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Materials purchased	18,749.37	
CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories	17,433.63	27,350.43
China Ship News Agency	Technical services	256,120.73	2,641.51
Shanghai Jiangnan Career Skills Training Center	Technical services	15,330.19	
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. (滬東中華造船(集團)有限公司)	Technical services	15,000.00	

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Related party	Content of transaction	Amount for the year	Amount for last year
Dalian Ship Valve Company Limited (大連船用閥門有限公司)	Materials purchased	7,598.23	
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Labour services	4,380.85	
CSSC Marine Technology Co., Ltd.	Marine accessories	3,283.76	9,178,124.14
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Repair fees	2,000.00	120,443.10
Shanghai Shenbo Information System Engineering Co., Ltd.	Materials purchased	-82,867.01	596,593.50
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Materials purchased		25,613,537.53
China Shipbuilding Trading Co., Ltd.	Marine accessories		24,430,774.37
Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	Marine accessories		7,480,889.91
Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing	Marine accessories and equipment		4,177,673.66
Kindergarten of Guangzhou Huangpu Shipyard	Labour and technical services		1,680,000.00
China Shipbuilding Industry Corporation 11 Research Institute	Labour and technical services		226,415.09
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Materials purchased		98,734.48
CSSC Guijiang Shipbuilding Co., Ltd.	Marine accessories and equipment		63,109.00
Technician Training School of Guangzhou Wenchong Shipyard	Training fee		36,800.00
Jiujiang CSSC Trading Co., Ltd.	Labour services		14,595.45
Guangzhou Huamao Center	Labour services		4,433.96
Total	Materials purchased	5,938,916,795.05	4,922,061,854.73

Note: Specific pricing method of Purchase of goods and receipt of services:

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".

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

(3) Sale of goods/provision of services

Related party	Content of transaction	Amount for the year	Amount for last year
CSSC (Hong Kong) Shipping Company Limited	Shipbuilding	972,536,012.44	875,764,384.45
China Shipbuilding Trading Co., Ltd.	Shipbuilding	149,117,879.97	39,769,155.99
China State Shipbuilding Corporation Limited	Shipbuilding	83,659,352.82	
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	107,747,470.47	91,722,665.36
China Shipbuilding Trading Shanghai Co., Ltd.	Shipbuilding	83,525,116.97	
China Shipbuilding Industry Complete Logistics Co., Ltd.	Sale of materials	20,992,881.08	86,206.90
CSSC Liner Technology Development Co., Ltd.	Labour services	19,493,486.06	
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Shipbuilding	5,479,310.32	
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Labour and technical services	2,705,126.54	2,177,950.83
China Shipbuilding Industry Corporation 725 Research Institute	Sale of materials	2,052,574.69	
CSSC Systems Engineering Research Institute	Labour and technical services	1,642,322.71	825,146.39
Guangzhou Shipyard Co., Ltd.	Supply of power, labour and technical services	1,371,504.02	2,033,029.89
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials	1,149,385.36	2,721,474.15
Wucang Shipbuilding Industry Group Co., Ltd.	Sale of materials	874,336.28	
China Shipbuilding Technology Institute	Labour and technical services	756,825.01	1,067,011.32
CSSC Xijiang Shipbuilding Co., Ltd.	Supply of utilities	474,618.47	68,656.64
Guangzhou GSI Nursing Home Co., Ltd.	Sale of materials	375,832.93	13,841.32
Technician Training School of Guangzhou Huangpu Shipyard	Supply of utilities	374,954.89	582,674.90
China Shipbuilding IT Co., Ltd.	Sale of materials	374,050.76	530,139.88
CSSC Heavy Equipment Co., Ltd.	Labour and technical services	2,706,283.10	3,408,369.15
Workers' Hospital of Guangzhou Huangpu Shipyard	Supply of utilities	335,249.88	263,546.04
CSSC Guijiang Shipbuilding Co., Ltd.	Sale of materials, provision of technical labour services	329,865.84	153,708.43
Guangzhou Ship Industrial Co., Ltd.	Sale of materials	292,806.28	484,201.31
CSSC Marine Technology Co., Ltd.	Labour services	208,075.47	
CSSC Southern China Ship Machinery Co., Ltd.	Labour and technical services	200,272.33	270,105.06
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Labour services	188,462.24	6,644,769.65
Dalian Shipbuilding Engineering Technology Research Centre Co., Ltd. (大连船舶工程技术研究中心有限公司)	Labour services	171,079.58	
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Supply of utilities	153,621.22	172,028.23
Kindergarten of Guangzhou Huangpu Shipyard	Supply of utilities	84,184.47	96,432.54
CSSC Shanghai Ship Industrial Co., Ltd.	Labour services	70,796.46	
CSSC Financial Leasing (Shanghai) Co., Ltd.	Labour services	63,716.81	
Design and Research Institute of China Shipbuilding and Marine Engineering	Labour services	58,508.09	9,051,168.63
Haiying Enterprises Group Co., Ltd.	Labour services	53,584.90	
CSSC Finance Company Limited	Labour and technical services	46,698.11	33,018.87
Anqing CSSC Diesel Engine Co., Ltd.	Labour services	46,398.40	
Jiangnan Shipbuilding (Group) Co., Ltd.	Labour services	42,035.40	
Eastern Shanghai Heavy Machinery Co., Ltd.	Labour services	19,245.29	
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Labour services	35,953.10	
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Labour services	34,287.74	
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Labour services	24,778.76	
Marine Design and Research Institute of China	Labour services	20,883.96	

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Related party	Content of transaction	Amount for the year	Amount for last year
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	Labour services	15,181.13	
Jiangnan Shipbuilding (Group) Co., Ltd.	Labour and technical services	15,094.34	2,226.41
Eastern Shanghai Heavy Machinery Co., Ltd.	Labour services	14,150.94	
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Labour services	12,264.15	
CSSC Chengxi Shipbuilding Co., Ltd.	Labour services	11,320.75	
Guangzhou Shipyard Hospital	Labour	10,188.68	10,188.68
CSSC Chengxi Xinrong Shipbuilding Co., Ltd. (中船澄西新榮船舶有限公司)	Labour services	9,245.28	
Technician Training School of Guangzhou Shipyard	Supply of utilities	8,472.09	74,911.70
CSSC Marine Power Co. Ltd.	Labour services	6,603.77	
Shanghai Shipyard Company Limited (上海船廠船舶有限公司)	Labour services	6,566.04	
Yinghui South Ship building (Guangzhou Fanyu) Co., Ltd.	Labour services	2,720.00	
CSSC Science & Technology Co., Ltd.	Labour and technical services	2,585.33	20,141,379.31
CSSC Marine Power Components Co., Ltd. (中船海洋動力部件有限公司)	Labour services	2,415.10	
Jiujiang Precision Testing Technology Research Institute	Labour services	1,886.79	
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Labour services	1,886.79	
Jiangxi Chaoyang Machinery Co., Ltd.	Labour services	466.00	
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Sale of materials	-469.00	17,423.60
Shanghai Merchant Vessel Design and Research Institute	Research project		1,000,000.00
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Labour services		141,509.43
China State Shipbuilding Corporation	Labour services		64,525.47
CSSC Chengxi Senior Technical School	Labour services		50,000.00
CSSC Nanjing Luzhou Machine Co., Ltd.	Labour services		37,735.84
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	Labour services		16,771.70
Total		1,460,010,407.40	1,059,496,358.07

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2. Receipt of financial services

(1) Deposits

Name of related party	Balance of deposits		Balance of deposits	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	7,594,327,867.71	3,887,008,008.16	71,560,339.25	44,494,282.35

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

(2) Loans

Name of related party	Balance of loans		Interest expenses on loans	
	Ending balance	Beginning balance	Current year	Current year
CSSC Finance Company Limited	1,399,900,000.00	3,726,692,000.00	123,547,505.64	211,029,404.94

Pricing principle: Interest rate for RMB loan is based on the benchmark interest rate for mid-to-long-term loan and short-term loan stipulated by the PBOC, with downward adjustments. The interest rate for USD loan is determined with reference to the USD loan interest rate for the same period.

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

Entrusted loans of CSSC:

Name of related party	Borrowing/Lending	Amount	Date of commencement	Date of expiry	Interest rate	Remarks
CSSC	Borrowing	400,000,000.00	2016-10-24	2021-10-14	3.25	GSI
CSSC	Borrowing	300,000,000.00	2019-06-06	2021-05-27	3.9	GSI
CSSC	Borrowing	150,000,000.00	2016-10-21	2021-10-14	3.25	Wenchong Dockyard
Total		850,000,000.00				

(3) Forward exchange settlement (purchase)

Name of related party	Forward exchange settlement (purchase) contract		Gain or loss on change in fair value of forward exchange settlement (purchase) contract		Investment income from forward exchange settlement (purchase)	
	Ending balance	Beginning balance	Current year (RMB)	Last year (RMB)	Current year (RMB)	Last year (RMB)
CSSC Finance Company Limited	US\$408 million	US\$ 250 million	-27,657,519.39	-36,302,162.95	15,386,725.04	-3,602,440.00
CSSC Finance Company Limited	EUR\$ 93 million					

(4) Entrusted wealth management products

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited		400,000,000.00	13,745,972.01	43,878,891.24

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

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3. Related leases

(1) As lessee

Name of lessor	Name of lessee	Type of leased assets	Rental fees recognised for the year	Rental fees recognised for last year
Guangzhou Ship Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	15,773,438.90	
Guangzhou Ship Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	1,239,881.65	17,274,961.55
Guangzhou Ship Industrial Co., Ltd.	Huangpu Wenchong	Land, buildings and structures	6,469,704.91	6,894,454.24
Guangzhou Shipyard Co., Ltd.	GSI	Buildings and structures	1,137,053.55	1,094,308.41
Guangzhou Shipyard Co., Ltd.	GSI Elevator	Land, buildings and structures	182,744.83	251,444.56
Guangzhou Shipyard Co., Ltd.	United steel	Buildings and structures		354,857.14
Guangzhou Shipyard Co., Ltd.	Engineering Equipment Company	Land, buildings and structures	1,333,712.46	
Total			26,136,536.30	25,870,025.90

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

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4. Related guarantees

(1) Guarantees provided by related parties for the Group

Name of guarantor	Name of guarantor	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$2,970,000.00	2019/7/26	2021/8/14	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$9,540,000.00	2019/7/2	2020/11/25	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$9,540,000.00	2019/7/2	2020/9/25	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$9,540,000.00	2019/7/2	2020/7/26	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$9,540,000.00	2019/7/2	2020/5/26	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$12,200,000.00	2019/10/14	2022/4/11	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$12,200,000.00	2019/10/14	2022/5/28	No
CSSC Group	Wenchong Dockyard	RMB 60,000,000.00	2018/4/23	2019/4/22	Yes
CSSC Group	Wenchong Dockyard	RMB 85,000,000.00	2018/7/17	2019/7/16	Yes
CSSC Group	Wenchong Dockyard	RMB 150,000,000.00	2018/3/20	2019/3/19	Yes

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

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

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

Name of	Name of guarantee	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
The Company	GSI	300,000,000.00	2019/8/23	2021/8/23	No
The Company	GSI	300,000,000.00	2019/9/20	2021/9/20	No
The Company	GSI	330,000,000.00	2019/10/29	2020/7/24	No
The Company	GSI	70,000,000.00	2019/12/4	2020/8/28	No
The Company	GSI	100,000,000.00	2019/12/13	2020/4/30	No
The Company	GSI	100,000,000.00	2019/12/13	2020/3/31	No
The Company	GSI	100,000,000.00	2019/12/13	2020/5/29	No
Huangpu Wenchong	Wenchong Shipyard	130,000,000.00	2019/9/20	2020/3/18	No
Huangpu Wenchong	Wenchong Shipyard	120,000,000.00	2019/9/23	2020/3/20	No
Huangpu Wenchong	Wenchong Shipyard	250,000,000.00	2019/11/21	2020/8/17	No
Huangpu Wenchong	Wenchuan Industrial	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, a subsidiary of the Company, and Guangzhou Wenchong Industrial Co., Ltd. signed the Wenchong Shipyard Phase I Relocation Agreement, pursuant to which, Wenchong Industrial will compensate Wenchong Shipyard RMB1.4 billion according to the compensation standard for the relocation and resettlement losses of the first phase of relocation site. Please refer to Note VI. (61) "Non-operating income".
- On 18 November 2019, GSI, a subsidiary of the Group, and GS Shipping signed the Compensation Agreement for Acquisition and Storage of Parcel One of Liwan Plant in Guangzhou Shipyard International (《廣船國際荔灣廠區收儲地塊一補償協議》), pursuant to which, GS Shipping paid GSI the land acquisition and storage fee of RMB1.427 billion for the Guangzhou Shipyard International Liwan land parcel. Please refer to Note VI. (61) "Non-operating income".

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- (3) In July 2018, GSI, a subsidiary of the Company, signed the Agreement in relation to the Land Restoration Agreement regarding the GS Shipping Land* (廣州廣船荔灣廠區地塊土壤治理與修復託合同) with GS Shipping. GS Shipping entrusted GSI to complete the soil remediation and restoration of the land of the Liwan Plant; in October 2019, GSI, GS Shipping and Wenchong Industrial signed the Supplemental Agreement 1 in relation to the Land Restoration Agreement regarding the GS Shipping Land* (廣州廣船荔灣廠區地塊土壤治理與修復委託合同補充協議1), GS Shipbuilding and Wenchong Industrial entrusted GSI to clear and dispose of the building waste at the Liwan plant, and adjusted the entrusted price of the previous soil treatment and restoration contract. The final soil treatment and restoration construction cost was RMB29.2049 million, 40% (i.e. RMB11.68 million) of which was settled this year; the commission price for the first phase of the construction waste removal and disposal is RMB2.92 million, 40% (i.e. RMB1.168 million) of which was settled this year.
- (4) On 27 March 2019, GSI, a subsidiary, as the Contract Letting Party, signed a Contract in relation to GSI Phase I Contaminated Soil Treatment and Remediation Project Construction with Nanfang Environment Co., Ltd., a joint venture. As a contracting consortium, Nanfang Environment Co., Ltd. and a third party carried out soil treatment and remediation of the Phase I land parcel of the Liwan plant, with a total contract price of RMB 29.2049 million.

6. Acquisition of equity interest of related parties

None

7. Other related party transactions

Type of transaction	Name of related party	Current year	Last year
Procurement agency fees	China United Shipbuilding Company Limited	5,945,815.08	5,807,908.30
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited	6,561,539.50	10,732,243.46
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	20,276,185.61	21,494,591.73
Sales agency fees	China Shipbuilding Trading Co., Ltd.	6,858,541.39	10,127,585.33
Letters of guarantee	China Shipbuilding Trading Co., Ltd.	1,339,204.62	2,346,314.97
Procurement agency fees	China Shipbuilding Trading Co., Ltd.		119,693.35
Procurement agency fees	CSSC (Hong Kong) Shipping Company Limited		12,687.83
Guarantee fees	CSSC Group	1,067,531.43	
Total		42,048,817.63	50,641,024.97

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. Major asset restructuring

Controlling shareholder of the Company and China Shipbuilding Industry Corporation have drawn up strategic restructuring. The Company sold 27.4214% equity interest of GSI to China State Shipbuilding Corporation, which will pay the transaction consideration by way of non-public issuance of A shares to the Company. The controlling shareholder of China State Shipbuilding Corporation and the Company are both CSSC Group. China State Shipbuilding Corporation is a connected party of the Company. The major asset restructuring constitutes a connected transaction. Please see notes 15(1) and 16(3) for the major asset restructuring

9. Related party transactions and connected transactions

The related party transactions mentioned in 1 to 8 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.

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

1. Purchase of goods and services received

Related party	Content of related party transactions	Amount for the year	Amount for last year
Hongfan Technology Equipment	Purchase of goods and receipt of services	167,047.08	200,960.74
Zhongshan GSI	Purchase of goods and receipt of services		13,675.21
GSI	Purchase of goods and receipt of services	2,364,915.00	31,702,734.49
Longxue Pipe	Processing services	171,843.95	3,740,579.86
Hongfan Hotel	Purchase of goods and receipt of services	44,938.85	1,212,458.57
Guangli	Receipt of services	23,671.75	70,558.06
Equipment	Purchase of goods and receipt of services	1,614,948.00	6,172,040.13
Zhongshan GSI	Purchase of goods and receipt of services	778,097.28	
Zhongshan GSI	Purchase of properties	157,433,262.96	
Huangpu Wenchong	Purchase of properties	235,827,271.70	
Total		398,425,996.57	43,113,007.06

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 provision of services

Related party	Content of related party transactions	Amount for the year	Amount for last year
United Steel	Sale of goods and provision of services		487,726.09
Zhongshan GSI	Sale of goods and provision of services	13,089,430.90	12,049,415.74
GSI	Sale of goods and provision of services	49,691,453.35	37,952,461.06
Equipment	Sale of goods and provision of services	17,290,406.12	
GSI Elevator	Sale of goods and provision of services	1,821,113.59	
Total		81,892,403.96	50,489,602.89

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(iv) Balances with related parties

1. Consolidated

(1) Receivables from related parties

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Notes receivable				
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	12,043,839.11			
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	7,667,046.17			
CSSC Science & Technology Co., Ltd.	3,894,000.00			
CSSC Southern China Ship Machinery Co., Ltd.			170,000.00	
Sub-total of notes receivable	23,604,885.28		170,000.00	
Interest receivable				
CSSC Finance Company Limited	1,778,016.25		7,465,375.59	
Hebei south city of Mineral Development Co., Ltd.	681,940.31			
Nanfeng Environment Co., Ltd.	27,777.78			
Sub-total of interest receivable	2,487,734.34		7,465,375.59	
Accounts receivable				
China Shipbuilding Trading Co., Ltd.	26,224,961.25	131,124.81		
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	20,094,151.48	100,470.76	20,128,621.74	100,643.11
Guangzhou Zhongdan Ship Design Co., Ltd.	5,935,443.92	29,677.22	3,308,142.40	16,540.71
CSSC Heavy Equipment Co., Ltd.	4,065,293.22	20,326.47	3,494,957.23	17,474.79
China Shipbuilding Industry Complete Logistics Co., Ltd.	3,998,499.67	19,992.50		
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	3,266,853.86	16,334.27		
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	1,926,345.33	9,631.73		
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	1,025,235.20	5,126.18	919,921.92	4,599.61
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	1,005,000.00	5,025.00		
Ships and Ocean Engineering Design and Research Institute of Guangzhou	832,517.00	4,162.59	74,742.00	373.71
China Shipbuilding Trading (Guangzhou) Co., Ltd.	783,106.00	3,915.53	786,011.00	3,930.06
China Shipbuilding Technology Institute	494,460.00	2,472.30	1,124,000.00	5,620.00
CSSC Liner Technology/Development Co., Ltd.	440,135.11	2,200.68		

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From 1 January 2019 to 31 December 2019

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Guangzhou Shipyard Co., Ltd.	290,671.55	1,453.36	882,172.02	4,410.86
Shanghai CSSC Lingang ship Equipment Co., Ltd.	255,000.00	1,275.00	1,526,910.00	7,634.55
CSSC Guijiang Shipbuilding Co., Ltd.	168,250.01	841.25	4,121.15	20.61
Guangzhou Ship Industrial Co., Ltd.	166,503.77	832.52	13,627.00	68.14
China Shipbuilding Trading Guangzhou Co., Ltd.	150,400.36	752.00		
CSSC Science & Technology Co., Ltd.	141,500.00	707.50	15,657,200.00	78,286.00
China State Shipbuilding Corporation Limited	139,695.00	698.48		
CSSC Systems Engineering Research Institute	138,657.73	693.29	248,000.00	1,240.00
China Shipbuilding IT Co., Ltd.	113,200.00	566.00	319,534.00	1,597.67
CSSC Marine Technology Co., Ltd.	104,640.00	523.20		
Jiangnan Shipbuilding (Group) Co., Ltd.	47,500.00	237.50		
CSSC (Hong Kong) Shipping Company Limited	25,000.00	125.00		
Guangzhou GSI Nursing Home Co., Ltd.	17,680.54	88.40		
China Shipbuilding NDRI Engineering Co., Ltd.	14,650.00	73.25	14,650.00	73.25
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	11,234.16	56.17		
CSSC Chengxi Xinrong Shipbuilding Company Limited	9,800.00	49.00		
Wah-Chang International Marine Industry Company Limited	6,976.20	34.88	6,863.20	34.32
Kindergarten of Guangzhou Huangpu Shipyard	6,969.88	34.85		
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	1,065.00	5.33	1,394.00	6.97
Jiangxi Chaoyang Machinery Co., Ltd.	526.58	2.63		
CSSC Southern China Ship Machinery Co., Ltd.			80,616.00	403.08
Nanfang Environment Co., Ltd.			8,262.00	41.31
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.			469.00	2.35
Sub-total of accounts receivable	71,901,922.82	359,509.65	48,600,214.66	243,001.10
Prepayments				
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	1,233,243,876.18		864,776,667.75	
China Shipbuilding Trading Shanghai Co., Ltd.	235,642,767.03		239,894,266.37	
Eastern Shanghai Heavy Machinery Co., Ltd.	132,648,886.12		32,431,926.16	
China Shipbuilding Industry Corporation 704 Research Institute	93,423,600.00			

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
China Shipbuilding Industry Corporation 712 Research Institute	90,915,000.00			
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	41,419,963.66		40,539,963.66	
China United Shipbuilding Company Limited	41,090,848.84			
China Shipbuilding Trading Co., Ltd.	29,688,108.68			
Anqing CSSC Diesel Engine Co., Ltd.	28,409,800.00			
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	26,490,000.00		44,180,000.00	
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	13,735,434.00			
CSSC Marine Power Co. Ltd.	11,986,837.00		6,971,558.48	
TTS Bohai Machinery(Dalian) Co.,Ltd	11,752,146.60			
CSSC Systems Engineering Research Institute	8,560,000.00			
China Shipbuilding NDRI Engineering Co., Ltd.	8,077,874.18		7,953,674.18	
China Shipbuilding Industry Corporation 718 Research Institute	7,629,300.00			
Marine Design and Research Institute of China	7,584,000.00			
CSIC Materials Co., Ltd	6,104,651.66			
Shanghai Haixun Electrical Engineering Co., Ltd.	5,644,800.00		8,931,600.00	
CSSC Marine Power Institute Co., Ltd.	5,150,000.00			
TTS Hua Hai International Trading Co., Ltd.	4,130,388.60			
Jiujiang Haitian Equipment Manufacture Co., Ltd.	3,847,456.00		3,128,608.00	
China Shipbuilding Industry Corporation 11 Research Institute	3,150,000.00			
CSSC Jiujiang Boiler Co., Ltd.	2,630,172.00			
Marinequip China Company Limited	2,466,630.23		30,654,917.94	
Zhenjiang Modern Power Generation Equipment Co., Ltd.	561,100.00			
CSSC (Hong Kong) Shipping Company Limited	308,175.65			
Shanghai CSSC Lingang ship Equipment Co., Ltd.	279,000.00			
Shanghai Simifu Industrial Co., Ltd.	183,892.20			
China Shipbuilding Industry Complete Logistics Co., Ltd.	54,386.25			
Jiangxi CSSC Navigation Instrument Co., Ltd.	16,860.00		15,860.00	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	6,350.00			
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. (滬東中華造船(集團)有限公司)	2,900.00			

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute			32,517,974.87	
China Shipbuilding Trading Co., Ltd.			8,103,997.84	
TTS Hua Hai Ships Equipment Co., Ltd.			5,240,000.00	
Beijing CSSC Consulting Co., Ltd.			1,497,000.00	
CSSC (Hong Kong) Shipping Company Limited			308,175.65	
Haifeng Navigation Technology Co., Ltd.			226,050.00	
CSSC Nanjing Luzhou Machine Co., Ltd.			6,350.00	
Sub-total of prepayments	2,056,835,204.88		1,327,378,590.90	
Other receivables				
Guangzhou Wenchong Industrial Co., Ltd.	689,517,083.63	3,447,585.42		
China Shipbuilding Industry Corporation 704 Research Institute	3,986,663.00	19,933.32		
China Shipbuilding Trading Co., Ltd.	1,094,064.19	5,470.32		
China United Shipbuilding Company Limited	309,359.13	1,546.80	431,018.40	2,155.09
Guangzhou Ship Industrial Co., Ltd.	203,061.63	1,015.31	219,462.00	1,097.31
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	188,746.75	943.73	188,746.75	943.73
Guangzhou Zhongdan Ship Design Co., Ltd.	56,371.71	281.86	8,053.10	40.27
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	45,676.00	228.38	759,422.39	3,797.11
Guangzhou Shipyard Co., Ltd.	33,087.66	165.44	21,912.00	109.56
CSSC (Hong Kong) Shipping Company Limited	30,851.36	154.26	2,575.20	12.88
China Shipbuilding Trading Guangzhou Co., Ltd.	8,140.50	40.70		
CSSC Guijiang Shipbuilding Co., Ltd.	353.75	1.77		
China Shipbuilding Trading Co., Ltd.			1,139,593.49	5,697.97
Guangzhou Shipyard Hospital			589,328.06	2,946.64
Nanfeng Environment Co., Ltd.			347,021.41	1,735.11
China State Shipbuilding Corporation Limited			84,407.58	422.04
Beijing Ship Industry Management College			67,030.00	335.15
Guangzhou Shipyard HR Service Co., Ltd.			7,701.00	38.51
Sub-total of other receivables	695,473,459.31	3,477,367.31	3,866,271.38	19,331.37
Long-term receivable				
Guangzhou Shipyard Shipping Co., Ltd.	1,134,000,000.00	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	1,134,000,000.00	5,670,000.00	1,141,287,496.57	5,671,349.59
Total	3,984,303,206.63	9,506,876.96	2,528,767,949.10	5,933,682.06

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(2) Payables to related parties

Name of item	Related party	Ending balance	Beginning balance
Notes payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	950,924,204.89	880,362,642.42
	CSSC Systems Engineering Research Institute	272,387,000.00	346,105,750.00
	China Shipbuilding Industry Corporation 704 Research Institute	218,429,800.00	
	Eastern Shanghai Heavy Machinery Co., Ltd.	115,972,948.62	85,893,337.00
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	37,853,034.35	161,123,026.22
	CSSC Marine Power Co. Ltd.	24,085,587.00	26,685,500.00
	China Shipbuilding Industry Corporation 718 Research Institute	23,118,200.00	
	Anqing CSSC Diesel Engine Co., Ltd.	21,570,432.30	9,529,543.00
	TTS Hua Hai Ships Equipment Co., Ltd.	15,000,000.00	1,406,000.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	10,132,899.96	18,782,040.00
	CSIC Materials Guangzhou Co., Ltd	9,799,994.36	
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	6,860,895.99	1,346,100.00
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	5,350,256.13	
	China Shipbuilding Industry Corporation 707 Research Institute	4,320,000.00	
	China Shipbuilding Industry Corporation 725 Research Institute	3,642,788.00	
	Shanghai Hengtuo Industrial Development Co., Ltd. (上海衡拓實業發展有限公司)	2,242,229.90	
	CSSC Science & Technology Co., Ltd.	1,980,000.00	
	Haifeng Navigation Technology Co., Ltd.	1,761,046.42	
	CSSC Nanjing Luzhou Machine Co., Ltd.	1,754,707.00	564,254.02
	Yinghui South Ship building (Guangzhou Fanyu) Co., Ltd.	1,394,000.00	
	Shanghai Stary Ship Ocean Engineering Service Co., Ltd.	1,369,637.93	
	CSSC Marine Power Institute Co., Ltd.	1,150,000.00	
	China Shipbuilding NDRI Engineering Co., Ltd.	1,145,000.00	
	Wuhan Marine Machinery Co., Ltd.	850,977.00	
	China Shipbuilding International Trading Co., Ltd.	703,334.50	
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	543,130.00	
	Zhenjiang Modern Power Generation Equipment Co., Ltd.	308,996.00	6,738,520.00
	CSSC Nanjing Luzhou Machine Co., Ltd.		12,189,797.55
	CSSC Southern China Ship Machinery Co., Ltd.		5,831,000.00
	CSSC Marine Technology Co., Ltd.		4,005,200.00
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.		2,570,158.35
	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.		2,250,000.00
	Marine Design and Research Institute of China		1,782,000.00
	Guangzhou Ship Industrial Co., Ltd.		829,497.49
	Sub-total of notes payable	1,734,651,100.35	1,567,994,366.05
Interest payable			
	China State Shipbuilding Corporation Limited	2,897,937.77	
	CSSC Finance Company Limited	446,108.00	5,718,091.65
	Sub-total of interest payable	3,344,045.77	5,718,091.65

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

Name of item	Related party	Ending balance	Beginning balance
Accounts payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	948,706,497.32	439,898,643.35
	CSSC Systems Engineering Research Institute	497,947,000.69	613,823,660.69
	China Shipbuilding Industry Corporation 704 Research Institute	102,221,450.00	
	China Shipbuilding NDRI Engineering Co., Ltd.	91,816,141.10	121,227,857.21
	Guangzhou Wenchong Properties Co., Ltd.	91,142,837.04	
	China Shipbuilding Industry Corporation 712 Research Institute	48,845,000.00	
	Shanghai Haixun Electrical Engineering Co., Ltd.	41,088,855.46	7,585,532.51
	CSSC Marine Power Co. Ltd.	36,429,656.20	12,112,970.00
	China Shipbuilding Trading Company, Limited	36,011,213.08	
	China Shipbuilding Industry Corporation 718 Research Institute	34,902,000.00	
	Eastern Shanghai Heavy Machinery Co., Ltd.	34,790,000.00	8,962,418.80
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	32,746,149.52	
	Guangzhou Ship Industrial Co., Ltd.	28,514,957.80	95,964,139.12
	China United Shipbuilding Company Limited	19,399,854.85	
	CSSC Southern China Ship Machinery Co., Ltd.	19,163,353.22	8,273,712.40
	Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	18,475,785.09	18,475,785.09
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	15,672,848.04	909,731.72
	Haiying Enterprises Group Co., Ltd.	15,192,500.00	22,995,000.00
	CSSC Nanjing Luzhou Machine Co., Ltd.	14,183,929.30	12,693,746.48
	Anqing CSSC Diesel Engine Co., Ltd.	11,905,130.76	6,020,330.76
	China Shipbuilding Trading Guangzhou Co., Ltd.	11,496,701.01	3,102,367.65
	China Shipbuilding Industry Corporation 719 Research Institute	11,203,500.00	
	Wuhan Marine Machinery Co., Ltd.	10,765,500.00	
	CSSC (Hong Kong) Shipping Company Limited	10,046,258.19	9,883,529.60
	China Shipbuilding Industry Corporation 707 Research Institute	8,290,130.00	
	China Shipbuilding Industry Corporation 716 Research Institute	8,129,930.00	
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	8,096,802.01	3,769,932.79
	Marine Design and Research Institute of China	7,353,364.10	35,173,367.13
	China Shipbuilding Industry Corporation 713 Research Institute	7,267,260.00	
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	6,580,491.46	
	China Shipbuilding Industry Corporation 722 Research Institute	6,349,500.00	
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	6,053,568.37	370,000.00
	China Shipbuilding Industry Corporation 725 Research Institute	5,045,816.08	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	4,944,405.28	696,782.07
	Guangzhou Shipyard Co., Ltd.	4,884,805.80	6,181,535.43
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	4,746,422.28	1,936,445.15
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	4,737,419.58	5,826,225.92
	China Shipbuilding Industry Corporation 723 Research Institute	4,600,000.00	
	Chongqing Gearbox Co., Ltd.	4,249,626.47	
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	3,307,197.00	
	CSIC (Shanghai) Energy Saving Technology Development Co., Ltd. (中船重工(上海)节能技术发展有限公司)	2,790,763.79	
	China Shipbuilding International Trading Co., Ltd.	2,766,332.00	2,686,175.00
	Zhenjiang Modern Power Generation Equipment Co., Ltd.	2,627,427.09	5,888,673.30
	CSSC Science & Technology Co., Ltd.	2,366,820.54	2,480,000.00
	Guangzhou Shipyard Hospital	2,335,591.87	26,400.00
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	2,226,694.79	2,226,694.79
	Shaanxi Diesel Engine Co., Ltd.	2,196,000.00	
	China Ship Power Station Equipment Co., Ltd.	1,992,600.00	2,234,100.00
	Shanghai Hudong Shipyard Valve Co., Ltd.	1,964,939.88	2,299,813.77

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

Name of item	Related party	Ending balance	Beginning balance
	Marinequip China Company Limited	1,939,362.28	
	China Shipbuilding Industry Complete Logistics Co., Ltd.	1,897,832.26	1,843,446.01
	China Shipbuilding IT Co., Ltd.	1,765,904.00	4,092,578.30
	Jiujiang CSSC Fire Automation Co., Ltd.	1,524,443.30	
	Shanghai Merchant Vessel Design and Research Institute	1,335,000.00	4,697,500.00
	Guangzhou Zhongdan Ship Design Co., Ltd.	1,236,686.10	
	CSSC Marine Technology Co., Ltd.	1,094,416.23	1,104,999.99
	CSSC Electronic Technology Co., Ltd.	1,054,629.18	1,292,219.28
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	1,025,421.50	642,553.09
	Technician Training School of Guangzhou Huangpu Shipyard	1,015,740.00	
	CSIC Zhongnan Equipment Co., Ltd.	990,000.00	
	Beijing Leiyin Electronic Technology Development Co., Ltd.	925,600.00	1,936,800.00
	Jiangxi Chaoyang Machinery Factory	854,419.87	1,443,364.67
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	840,000.00	540,000.00
	China Shipbuilding Industry Corporation 711 Research Institute	739,280.00	
	Dalian Shipbuilding Industry Marine Engineering Company Limited (大連船舶工業海洋工程有限公司)	680,787.00	
	Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	316,000.00	
	CSSC Liner Technology Development Co., Ltd.	633,864.08	
	Guangzhou Shipyard HR Service Co., Ltd.	609,953.95	863,728.43
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	525,994.36	290,865.89
	Workers' Hospital of Guangzhou Huangpu Shipyard	465,940.29	
	Henan Diesel Engine Heavy Engineering Co., Ltd.	463,500.00	
	CSIC Tianhe Ship Equipment Jiangsu Co.,Ltd. (中船重工天禾船舶設備江蘇有限公司)	454,000.00	
	China Shipbuilding Industry Corporation 726 Research Institute	448,000.00	
	Shanghai Shipbuilding Technology Research Institute	435,000.00	
	China Shipbuilding Industry Corporation 11 Research Institute	434,482.76	
	Yinghui South Ship building (Guangzhou Fanyu) Co., Ltd.	355,920.92	
	Wah-Chang International Marine Industry Company Limited	320,137.27	
	Shanghai Shenbo Information System Engineering Co., Ltd.	306,150.94	30,740.00
	Shanghai Hengtuo Industrial Development Co., Ltd. (上海衡拓實業發展有限公司)	280,581.10	
	Kindergarten of Guangzhou Huangpu Shipyard	280,000.00	
	China State Shipbuilding Corporation Limited	269,373.10	
	CSSC Hua Hai Ships Equipment Co., Ltd.	264,000.00	339,000.00
	Chongqing Huayu Electrical Group Limited (重慶華渝電氣集團有限公司)	260,000.00	
	Wuxi Haiying Jiake Marine Technology Co., Ltd.	239,900.00	
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	237,034.19	
	Haifeng Navigation Technology Co., Ltd.	220,788.49	
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	183,520.00	
	Dalian Ship Valve Company Limited (大連船用閥門有限公司)	178,288.20	
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	86,174.39	
	China Shipbuilding Industry Corporation 701 Research Institute	83,500.00	
	CSSC Finance Company Limited	83,000.00	83,000.00
	Jiujiang Precision Testing Technology Research Institute	82,613.70	82,613.70
	Shanghai CSSC Materials Engineering Co., Ltd.	77,940.00	
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	76,000.00	
	Jiangyin Huaerxin Special Coating Co., Ltd.	73,920.00	
	Suzhou Jianghai Communication Co., Ltd. (蘇州市江海通訊發展實業有限公司)	67,800.00	
	Guangzhou Bohang Environment Monitoring Services Co., Ltd.	48,780.80	
	International Paints of Shanghai Co. Ltd.	39,486.35	
	Shanghai Dongxin Software Engineering Co., Ltd.	36,800.00	89,230.77

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

Name of item	Related party	Ending balance	Beginning balance
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd	34,262.00	
	Chongqing Yaojin Machinery Plant Co., Ltd. (重慶躍進機械廠有限公司)	27,800.00	
	Wuhan Temo Welding Consumables Co., Ltd.	27,216.00	
	China National Shipbuilding Equipment & Materials (East China) Co., Ltd	23,480.00	
	Anqing Marine Electric Co., Ltd.	18,000.00	18,000.00
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	15,000.00	
	CSIC Haisheng Technology Co., Ltd. (中船重工海聲科技有限公司)	15,000.00	
	CSIC Chongqing Changping Machinery Co., Ltd. (中船重工重慶長平機械有限責任公司)	13,380.00	
	Beijing Ship Industry Management College	11,324.00	
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	Jiangxi CSSC Navigation Instrument Co., Ltd.	9,550.00	
	China State Shipbuilding Corporation	9,141.20	9,141.20
	China Ship Survey and Research Institute, Pudong Branch	8,325.50	
	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	4,860.00	4,860.00
	China Shipbuilding Industry Corporation 702 Research Institute	3,335.00	
	TTS Hua Hai Ships Equipment Co., Ltd.	2,979.00	4,364,041.82
	Dalian Shipbuilding Industry Engineering Company Shipbuilding Plant	2,406.22	
	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.		3,520,231.03
	China Shipbuilding Trading Co., Ltd.		3,385,598.17
	Guangzhou Wenchong Properties Co., Ltd.		2,845,508.99
	CSSC Marine Services Co., Ltd.		1,050,799.20
	Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute		435,000.00
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.		339,315.70
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.		131,794.98
	Sub-total of accounts payable	2,326,665,325.97	1,489,212,775.33
Contract liabilities			
	CSSC (Hong Kong) Shipping Company Limited	81,909,996.12	
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	8,792,484.03	
	China Shipbuilding Trading Co., Ltd.	4,085,529.80	
	Marine Design and Research Institute of China	2,000,000.00	
	China Shipbuilding Trading Shanghai Co., Ltd.	83,525,116.97	
	Wah-Chang International Marine Industry Company Limited	3,656,879.40	3,656,879.40
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	300,000.00	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	1,103,343.94	135,165.52
	CSSC Systems Engineering Research Institute	445,283.00	
	Guangzhou Shipyard Co., Ltd.	488,385.73	79,000.00
	CSSC Heavy Equipment Co., Ltd.	59,526.14	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	10,000.00	10,000.00
	Technician Training School of Guangzhou Shipyard	794	
	Sub-total of contract liabilities	102,551,428.16	87,706,955.89

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 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
Other payables			
	China Shipbuilding NDRI Engineering Co., Ltd.	10,860,990.83	7,125,734.61
	Guangzhou Shipyard Co., Ltd.	2,492,556.36	1,455,814.18
	Dalian Shipbuilding Industry Engineering Company Shipbuilding Plant	1,701,000.00	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	1,085,181.40	4,398,109.53
	China Shipbuilding IT Co., Ltd.	598,000.00	204,000.00
	CSSC Financial Leasing (Shanghai) Co., Ltd.	591,866.02	592,202.69
	Jiangxi Chaoyang Machinery Co., Ltd.	500,000.00	200,000.00
	China United Shipbuilding Company Limited	473,319.81	125,245,283.56
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	300,000.00	
	Guangzhou Shipyard HR Service Co., Ltd.	212,924.58	166,619.00
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	206,167.81	203,400.00
	China State Shipbuilding Corporation Limited	59,571.42	
	Shanghai Shenbo Information System Engineering Co., Ltd.	50,000.00	
	China Shipbuilding Trading Co., Ltd.	45,731.57	
	Shanghai Merchant Vessel Design and Research Institute		1,600,000.00
	China Shipbuilding Trading Co., Ltd.		133,766.03
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.		135,656.22
	China Shipbuilding Trading Guangzhou Co., Ltd.		180,636.34
	China Shipbuilding International Trading Co., Ltd.		40,463.00
	Guangzhou Ship Industrial Co., Ltd.	54,085.00	
	Sub-total of other payables	19,177,309.80	141,735,770.16
Lease liabilities			
	Guangzhou Ship Industrial Co., Ltd.	52,778,711.87	
	Guangzhou Wenchong Industrial Co., Ltd.	68,879,154.23	
	Sub-total of lease liabilities	121,657,866.10	
	Total	4,308,047,076.15	3,292,367,959.08

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

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

(1) Receivables from related parties

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Zhongshan GSI	4,512,688.97		3,854,054.39	
	GSI	21,811,943.74		7,131,707.73	
	Guangzhou United Steel Structures Limited			534,800.00	
	Sub-total of accounts receivable	26,324,632.71		11,520,562.12	
Prepayments	Equipment Company	700,000.00		700,000.00	
	GSI	2,831,781.00			
	Sub-total of prepayments	3,531,781.00		700,000.00	
Other receivables	GSI	7,683,353.50		6,972,728.12	
	Huangpu Wenchong	633,611.11		1,202,437.49	
	Wenchong Shipyard				
	Sub-total of other receivables	8,316,964.61		8,175,165.61	
Non-current assets due within one year	GSI	240,000,000.00			
	Huangpu Wenchong	30,000,000.00			
	Sub-total of non-current assets due within one year	270,000,000.00			
Other current assets	GSI	230,000,000.00		50,000,000.00	
	Huangpu Wenchong	40,000,000.00		700,000,000.00	
	Sub-total of other current assets	270,000,000.00		750,000,000.00	
	Other non-current assets				
	GSI	185,000,000.00		285,000,000.00	
	Huangpu Wenchong	235,000,000.00		335,000,000.00	
Total other non-current assets	420,000,000.00		620,000,000.00		
Long-term receivables	Huangpu Wenchong	600,000,000.00			
	Sub-total of long-term receivables	600,000,000.00			
	Total	1,528,173,378.32		1,390,395,727.73	

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From 1 January 2019 to 31 December 2019

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(2) Payables to related parties

Name of item	Related party	Ending balance	Beginning balance
Accounts payable			
	Huangpu Wenchong	128,518,926.14	
	Zhongshan GSI	7,160,606.13	9,734,638.03
	Equipment Company	6,159,637.46	4,501,679.46
	GSI	4,700,772.72	2,510,541.22
	United Steel	1,785,147.22	8,354,892.47
	Guangli	13,944.30	
	Longxue Pipe		280,843.80
	Sub-total of accounts payable	148,339,033.97	25,382,594.98
Other payables			
	GSI	65,687,789.94	32,364,814.95
	Guangli	3,854,654.24	6,955,523.09
	Zhongshan GSI	336,455.25	174,948.82
	Hongfan Hotel	8,159.88	
	Sub-total of other payables	69,887,059.31	39,495,286.86
Advances from customers			
	GSI	34,524,400.00	
	Zhongshan GSI	7,855,200.00	
	Huangpu Wenchong	2,454,000.00	
	GSI Elevator	865,486.73	
	Sub-total of advances from customers	45,699,086.73	
	Total	263,925,180.01	64,877,881.84

(v) 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, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Amount for the year					
Executive Directors					
Han Guangde		153,223.00			153,223.00
Chen Zhongqian		659,862.00	63,059.45	32,030.88	754,952.33
Chen Liping		893,662.78	63,855.42	32,030.88	989,549.08
Sheng Jigang		529,580.00	57,739.48	32,030.88	619,350.36
Xiang Huiming		618,423.20	61,940.34	32,030.88	712,394.42
Chen Ji		579,557.87	63,100.91	32,030.88	674,689.66
Non-executive Directors					
Shi Jun					
Wang Yichu	200,000.00				200,000.00
Min Weiguo	200,000.00				200,000.00
Liu Renhuai	200,000.00				200,000.00
Yu Shiyong	200,000.00				200,000.00
Sub-total of Directors	800,000.00	3,434,308.85	309,695.60	160,154.40	4,704,158.85
Supervisors					
Jin Xuejian (from 23 October to 31 December)					
Wu Guangjun (from 1 January to 19 July)					
Fu Xiaosi	90,000.00				90,000.00
Chen Shu (from 28 May to 31 December)	53,070.65				53,070.65
Zhu Zhengfu (from 1 January to 25 May)	35,951.09				35,951.09

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Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Mai Rongzhi		448,831.69	63,013.91	32,030.88	543,876.48
Zhang Shan		389,726.67	61,699.35	32,030.88	483,456.90
Sub-total of Supervisors	179,021.74	838,558.36	124,713.26	64,061.76	1,206,355.12
Total	979,021.74	4,272,867.21	434,408.86	224,216.16	5,910,513.97
Amount for last year					
Executive Directors					
Han Guangde (from 1 January to 31 August)		511,597.03	49,001.00	20,900.04	581,498.07
Chen Zhongqian		646,121.00	69,220.32	62,510.28	777,851.60
Chen Liping		730,243.60	70,159.20	32,102.28	832,505.08
Sheng Jigang (from 5 December to 31 December)		33,267.00	4,714.15	1,600.32	39,581.47
Xiang Huiming		677,732.00	68,990.52	62,510.28	809,232.80
Chen Ji		739,315.00	69,647.40	32,102.28	841,064.68
Non-executive Directors					
Wang Yichu	200,000.00				200,000.00
Min Weiguo	200,000.00				200,000.00
Liu Renhuai (from 12 February to 31 December)	176,111.11				176,111.11
Yu Shiyong (from 12 February to 31 December)	176,111.11				176,111.11
Song Dejin (from 1 January to 12 February)	23,888.89				23,888.89
Sub-total of Directors	776,111.11	3,338,275.63	331,732.59	211,725.48	4,657,844.81
Supervisors					
Zhu Zhengfu	90,000.00				90,000.00
Fu Xiaosi	90,000.00				90,000.00
Mai Rongzhi (from 12 February to 31 December)		535,650.59	63,201.10	29,552.46	628,404.15
Zhang Shan (from 12 February to 31 December)		311,235.00	57,771.25	44,676.46	413,682.71
Chen Shaolong (from 1 January to 12 February)		67,849.67	11,782.60	5,099.64	84,731.91
Ding Qianfang (from 1 January to 12 February)		85,296.17	11,882.32	5,099.64	102,278.13
Sub-total of Supervisors	180,000.00	1,000,031.43	144,637.27	84,428.20	1,409,096.90
Total	956,111.11	4,338,307.06	476,369.86	296,153.68	6,066,941.71

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

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2. Five highest paid individuals

Of the five highest paid individuals for the year, 2 are Directors, 3 are senior management of the Company and subsidiaries (last year: 4 Directors, 1 Supervisor). The remuneration of Directors and Supervisors are set out in above "Remunerations of Directors and Supervisors". The remuneration paid to the other 3 individuals is as follows:

Item	Amount for the year	Amount for last year
Salaries, subsidies, allowances and bonuses	2,093,720.29	
Social insurance and housing fund	187,487.82	
Pension	96,092.64	
Total	2,377,300.75	

Band of remuneration:

Item	Number of persons for current year	Number of persons for last year
Less than HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	
HK\$1,500,001 to HK\$2,000,000		
HK\$2,000,001 to HK\$2,500,000		

3. During the track record period, no Director had waived or agreed to waive any remuneration. During the year, no emoluments were paid by the Company to 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. Remuneration of key management

The remuneration of key management, including those paid or payable to Directors, Supervisors and senior management, is as follows:

Item	Amount for the year	Amount for last year
Salaries, subsidies, allowances and bonuses	6,529,710.24	6,353,232.17
Social insurance and housing fund	561,685.24	616,688.26
Pension	288,277.92	360,358.24
Total	7,379,673.40	7,330,278.67

(vi) Amount due from Directors/affiliates of Directors

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

As at the end of the year, the Group had no amount due from Directors/affiliates of Directors.

2. Amount due from directors/affiliates of directors for which the Company has provided guarantee:

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

NOTES TO THE FINANCIAL STATEMENTS

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XII. SHARE-BASED PAYMENTS

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

XIII. CONTINGENCIES

(1) Contingent liabilities arising from pending litigations or arbitrations

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

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

In November 2014, the Company 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. The Company and Guangli have completed their calculation in respect of the bankruptcy claims, and have filed the data of the relevant information with the liquidation team of Jiangsu Shenghua. On 20 March 2015, the Company attended the first creditors' meeting of Jiangsu Shenghua and the current situation of debts of Jiangsu Shenghua was confirmed at the creditors' meeting. There was also a voting on the property realization plan subsequent to the bankruptcy but the plan was not passed as the largest creditor voted against it. As the appraisal for the buildings and lands owned by Shenghua has not been completed, another creditors' meeting will be held after the appraisal is completed and a new realization plan is available.

The Company attended the second meeting of creditors on 27 April 2017 and received a ruling made by Zhenjiang Intermediate Court on 17 May 2017 which approved the proposal for bankruptcy and realization of properties of Jiangsu Shenghua. The valuation of the existing properties, land and structures erected thereon and machinery and equipment of Jiangsu Shenghua was completed, and its ships under construction were still under valuation. In the next step, the property manager will realize and auction these assets as a whole. Jiangsu Zhenjiang Intermediate People's Court conducted a combined auction of the land, properties, machinery equipment and other relevant assets of the bankrupt Jiangsu Shenghua, which had been successfully purchased by Zhenjiang Hitech Development Co., Ltd. at a price of RMB77.65 million. The third meeting of debtors for bankruptcy will be held within 2020 to announcement the results of auction disposal and distribution.

It is expected that GSI can obtain the priority to be paid back of approximately 7.7 million.

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

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2. GSI, a subsidiary of the Company, and Guangzhou CSSC Longxue Construction Development Co., Ltd. ("Longxue Construction") required that Shandong Qingyun Crane Machinery Co., Ltd. and Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall repay a loan of RMB44,496,500 and accrued interest (from 29 July 2009 to the effective date of the judgment; calculated in accordance with the lending rates of People's Bank of China over the same period) to Longxue Shipbuilding and Guangzhou CSSC; that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall continue to fulfill their delivery obligations for the 9 cranes under the contract already shipped to Longxue Island, Nansha District, Guangzhou; and that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall bear the cost of this litigation of RMB283,696 and the property preservation fees of RMB5,000. Jinan Intermediate People's Court made a judgment for Longxue Shipbuilding in first instant verdict, which was fully in favour of GSI. The defendant applied for an appeal, which automatically became void due to the late payment of court fees. The case is currently being enforced by the court. Jinan Intermediate People's Court held two auctions for the components and accessories of 17 cranes, the appraised value of which amounted to RMB15.96 million, on 21 May and 12 August 2013 respectively, but there was no successful bidder for both auctions as no one participated in the bidding. On 12 December 2013, the court severed a notice to the attorney of GSI, stating that the enforcement would be executed by Shanghe County People's Court, which caused strong inconvenience and obstacle for the enforcement. GSI subsequently made a written objection and submitted relevant materials. After communication, Jinan Intermediate People's Court made a ruling on 29 April 2014 that the enforcement shall be conducted by Jinan Intermediate People's Court.

Upon the appointment of a new executive judge, on 12 June 2014, the staff and attorney of GSI, accompanied with the acting judge, visited Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. and commenced an investigation on the property subject to enforcement. On 27 June 2014, GSI submitted the second written valuation of land and property to the acting judge and applied for an auction. On 29 July 2014, the court picked up an assessment institution by drawing lots. On 22 January 2015, upon receipt of the valuation report from the appraisal company, GSI submitted the application to the court for auction of land and properties of Tian Jiang and Qingyun.

On 7 April 2015, Jinan Intermediate People's Court engaged Shandong Jiahe International Auction Co., Ltd and Shandong Peifeng Auction and Bidding Co., Ltd to hold a public auction on the land use right (including the buildings on the land) of privately owned park of Shandong Qingyun Crane Machinery Co., Ltd. located in Yangliu Town Xintai City, and the land use right (including the buildings, equipment and trees on the land) of Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. located at Keyuan Road, Shanghe County Economic Development Zone, and the auction fell through as there was no bidder. Upon the auction falling through, GSI immediately applied to the court for offsetting some of the debts with the reserved price determined in the auction. On 8 April 2015, Jinan Intermediate People's Court issued the judgment that, the land use right of Qingyun and the properties on the land and the land use right of Tian Jiang, valued as RMB35,105,956, be delivered to GSI to offset some of the debts. On 9 June 2015, GSI received the ruling for termination of the enforcement process from Jinan Intermediate People's Court, and it might apply for resumption of the execution when new clues of properties are found. In December 2015, the execution and project coordination group of Qingyun case realised on-site movable properties of Tian Jiang (which shall be vested with the Company as ruled by the court) at RMB98,000 at local sites by inviting bids, which has been received by GSI. Through liaison with Guangzhou Office of Jinan Municipal People's Government, local government of the location where the land assets to offset debts are located has approached GSI. Representatives of Shanghe County Development Zone Management Committee visited GSI on 11 April 2016 and discussed the matters on transfer and treatment of real estate. On 20 May 2016, GSI visited Shanghe County Development Zone and further communicated with the Development Zone Management Committee. Detailed solutions to realisation of the land assets to offset debts was discussed. As decided at an office meeting of GSI held on 4 July 2016, the investigation into the land and property for settlement of debts in Qingyun case in preparation for listing was carried out by the development and planning department. On 1 August 2016, the land and property located in Shanghe County became listed on Shanghai Assets and Equity Exchange. On 30 May 2018, the land and property located in Shanghe County became listed on Tianjin Property Rights Exchange by the enterprise management department.

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. GSI and Jinan Lvba entered into an asset transaction contract on 29 January 2019. As of the date of this report, there has been no progress of the aforesaid matter.

3. The case of contractual dispute between Longxue Pipe, a subsidiary of the Company, and Guangzhou Huayu Electromechanical Equipment Co., Ltd. ("Huayu") was finally ruled by Guangzhou Intermediate People's Court on 13 October 2014. According to the ruling, Huayu was required to pay Longxue Pipe RMB4,953,239.77 and overdue interests as well as the liquidated damages, while Longxue Pipe was required to pay Huayu the processing fee of RMB300,976.74. After the offsetting, Huayu still owed Longxue Pipe RMB4,652,263.03. The Company selected a law firm, being Guoding Law Firm, in its list of lawyers through price comparison, which is specialised in collecting accounts receivable and has been collecting receivables from Huayu on the basis of pure risk agency since 1 June 2015. In October 2016, it identified a property with a gross floor area of 128 square metres in the name of Guo Yuhua, a person subject to enforcement, in Zhongshan. On 7 November 2016, staff of Longxue Pipe, handling judges, staff of the valuation firm and unlockers enforced and seized the property. In January 2017, the valuation firm assessed the value of the property at RMB687,745. In July 2017, the court auctioned the seized property. After deducting bank mortgage, enforcement fee and other fees, the remaining RMB406,637 was paid by the court to Longxue Pipe. As of the date of the balance sheet date, Huayu owns Longxue Pipe of 3.5498 million, Longxue Pipe has engaged lawyers to actively seek executable properties of Huayu.

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

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XIV. COMMITMENTS

(1) Significant commitments

1. Pledge of assets

As at the end of the year, no other assets of the Group were pledged.

2. Undue guarantees and letter of credit

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

Type of letters of guarantee	RMB	USD	EUR
Letters of performance guarantee	581,841,451.41	3,899,609.84	
Letters of advancement payment guarantee	724,524.40	6,890,586.99	
Letters of warranty guarantee		2,773,399.64	
Letters of customs duties guarantee	18,878,000.00		
Letter of counter guarantee non-financing guarantee	200,000.00	699,921,150.00	498,720,000.00
Total	601,643,975.81	713,484,746.47	498,720,000.00

As at the end of the year, the Group's issued but undue letters of credit amounted to RMB2,498,663.79, US\$49,258,771.68 and EUR50,983,494.67.

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), foreign exchange swaps, foreign exchange options trading portfolio contracts and etc. As at the end of the year, the Group had a total of 121 outstanding forward settlement foreign exchange contracts with total amount of US\$816.3 million and latest settlement date of 12 July 2022, and recognised profits or losses on changes in fair value of RMB-104,678,000 as at the end of the year; the Group had a total of 16 outstanding US dollar for Euro exchange foreign forward with total amount of EUR281 million and latest settlement date of 29 June 2023, and recognised profits or losses in fair value of RMB29,127,000 as at the end of the year; the Group had a total of 95 outstanding option portfolios with total amount of US\$730 million and latest settlement date of 15 November 2021, and recognised profits or losses on changes in fair value of -9,738,660,000 as at the end of the year.

(1) 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.

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

XV. EVENTS AFTER BALANCE SHEET DATE

(1) Important non-adjustment matters

- GSI holds 60% of the shares of Nanfang Environment Co., Ltd., a joint venture of the Group due to common control. In order to better implement the Group's high quality development strategies, enable the Group to achieve a better and faster development in application industry, as approved by the CSSC Group, GSI acquired 35% equity of Nanfang Environment Co., Ltd., which held by Guangzhou Guanggong Asset Management Co., Ltd. In January 2020, GSI paid the consideration of RMB27,901,825.00 to complete the acquisition of shares. Since then, GSI holds 95% equity of Nanfang Environment Co., Ltd., and becomes its controlling shareholder.

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From 1 January 2019 to 31 December 2019

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(2) Information on profit distribution

Pursuant to a resolution of the meeting of the Board dated 27 March 2020, the Company will not distribute cash dividends or increase its share capital by way of capitalisation of capital reserve for 2019. The profit distribution proposal is subject to the approval at the annual general meeting of 2019 of the Company.

Save for the aforesaid events after balance sheet date, the Group had no other events after balance sheet date which require explanations.

XVI. OTHER SIGNIFICANT EVENTS

(1) Correction of previous errors and their effect

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

(2) Segment information

1. Basis for determination of reportable segments and accounting policies

According to the Group's internal organizational structure, management requirements, and internal reporting system, the segments of the operation can be divided into 3 categories based on the different types of main products. The management of the Group evaluates operating outcomes of these segments periodically in order to make decisions concerning resource distributions and operating result assessments. The Group is currently organized into shipbuilding, steel structure projects and others.

Segment reporting information is disclosed according to accounting policies and measurement basis used in reports presented by each segment to the management. These accounting policies and measurement basis are consistent with those adopted in drafting financial statements.

2. Financial information of reportable segments for the year

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

Current year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance and modification business segment	Others segment	Inter-segment elimination	Total
Operating income	26,762,317,459.52	2,147,095,141.38	1,087,891,771.76	3,566,004,030.50	-11,734,305,439.39	21,829,002,963.77
Including: Revenue from external transactions	18,646,634,293.53	1,688,870,022.85	1,071,071,237.28	422,427,410.11		21,829,002,963.77
Revenue from intra-segment transactions	8,115,683,165.99	458,225,118.53	16,820,534.48	3,143,576,620.39	-11,734,305,439.39	-
Operating costs	25,981,577,606.63	2,205,298,039.03	891,261,629.55	3,635,052,650.18	-11,753,894,971.26	20,959,294,954.13
Costs for the period	1,375,066,878.52	89,752,449.89	204,489,718.49	74,875,848.30	-4,348,253.40	1,739,836,641.80
Total segment profit	1,238,196,097.35	-1,960,138.50	-86,795,267.89	19,993,831.59	-178,349,788.83	991,084,733.72
Total assets	54,882,001,047.30	1,931,003,710.99	2,479,995,610.04	12,271,989,965.59	-19,260,921,178.94	52,304,069,154.98
Total liabilities	38,624,557,614.88	1,635,740,483.65	2,555,906,327.00	2,867,459,070.47	-8,927,318,028.89	36,756,345,467.11
Capital expenses	1,745,407,690.08	8,613,153.73	37,298,958.12	8,185,219.77		1,799,505,021.70
Impairment loss recognised during current period	310,547,740.83	312,365.23	75,597.12	13,546,019.00	1,927,294.24	326,409,016.42
Depreciation and amortisation expenses	719,529,219.08	7,384,889.65	67,336,110.92	67,079,794.70	-8,661,334.47	852,668,679.88

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

Last year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance and modification business segment	Others segment	Inter-segment elimination	Total
Operating income	19,343,627,460.39	1,256,736,356.00	674,198,000.24	720,478,009.86	-2,781,443,432.46	19,213,596,394.03
Including: Revenue from external transactions	17,280,026,667.76	761,961,022.61	649,791,240.16	521,817,463.50		19,213,596,394.03
Revenue from intra-segment transactions	2,063,600,792.63	494,775,333.39	24,406,760.08	198,660,546.36	-2,781,443,432.46	
Operating costs	17,403,042,662.44	997,717,973.97	645,868,805.31	710,461,023.94	-494,620,719.38	19,262,469,746.28
Costs for the period	1,236,419,170.36	66,221,728.60	215,752,151.91	61,137,201.26	15,605,216.90	1,595,135,469.03
Total segment profit	-2,225,563,959.17	-24,331,351.38	-187,434,746.74	-5,334,826.36	-17,560,448.88	-2,460,225,332.53
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
Capital expenses	2,180,131,166.65	26,598,593.91	71,079,832.79	38,301,509.81	-638,609,705.04	1,677,501,398.12
Impairment loss recognised during current period	688,311,369.64	-354,545.33	30,030,115.64	-1,478,767.42	5,465.16	716,513,637.69
Depreciation and amortisation expenses	687,273,698.19	6,907,977.67	75,195,611.93	18,320,835.83		787,698,123.62

(2) Revenue from external transactions by origin of revenue

Item	Amount for the year	Amount for last year
Revenue from external transactions derived from China	13,527,722,627.92	11,545,592,155.71
Revenue from external transactions derived from other countries	8,301,280,335.85	7,668,004,238.32
Total	21,829,002,963.77	19,213,596,394.03

(3) Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China (except Hong Kong)	14,522,172,411.45	17,072,158,586.14
Hong Kong	640,462,653.28	727,749,130.41
Total	15,162,635,064.73	17,799,907,716.55

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

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(3) Other important transactions and matters that have an impact on investors' decision-making

1. In order to improve the financial condition of the Company, enhance its profitability, enable smooth implementation of the market-based debt-to-equity conversion plan, and resolve horizontal competition as early as possible, the controlling shareholder of the Company, CSSC Holding and China Shipbuilding Industry Corporation, were strategically restructured. The company disposed of 27.4124% equity interests in GSI, the subsidiary of the Company, to CSSC Holding at a consideration by the way of the non-public issue of the A shares by CSSC Holding. Upon completion of the Transaction, the Company expects to acquire 5.28% equity interest in the CSSC Holding and will hold 46.3018% equity interest in GSI, GSI will no longer be included in the consolidation scope of the Company.

At the same time, CSSC Holdings acquires 30.9836% equity interests in Huangpu Wenchong held by Huarong Ruitong Equity Investment Management Co., Ltd., New China Life Insurance Company Ltd., China Structural Reform Fund Co., Ltd., China Pacific Property Insurance Co., Ltd., China Life Insurance Company Limited, PICC Property and Casualty Company Limited, Beijing Dongfu Tianheng Investment Centre (Limited Partnership) and ICBC Financial Asset Investment Co., Limited.

On 10 January 2020, the restructuring plan was unconditionally passed at the 2020 first meeting of Review Committee of Merger, Acquisition and Reorganization of Listing Companies of the China Securities Regulatory Commission. On 5 February 2020, the China Securities Regulatory Commission issued "Approval on Approval of China CSSC Holdings and CSSC to issue Shares to acquire assets and Fundraising" (Zheng Jian Xu Ke [2020] No. 225) to approve the issuance of 217,494,916 shares by CSSC Holding to the Company. The transaction constitutes a connected transaction.

On 19 March 2020 and 20 March 2020, GSI and Huangpu Wenchong have completed the equity transfer and the change of registration with the Guangzhou Administration for Market Regulation.

2. According to the future development direction of the Company, the company will transfer the 49% equity interest in CSSC Chengxi Yangzhou Shipbuilding Company Limited held by the Company to CSSC and CSSC Chengxi Shipbuilding Co., Ltd. by way of agreement, with a total transaction amount of 963,831.8 million yuan. Upon the completion of the equity transfer, the company no longer holds the equity interest of CSSC Chengxi Yangzhou Shipbuilding Company Limited, and it is expected to realize an investment income of approximately 323 million yuan, which will increase the total profit of the Company for 2020 by approximately 323 million yuan. The transaction constitutes a connected transaction.
3. Due to the implementation of the urban planning of Shunde District of Foshan City, the the Land Reserve Development Centre of Shunde District, Foshan City (hereinafter referred to as the Land Reserve Development Centre of Shunde District) requires to resume the company's Shunde plant located in Xiyong Management Zone, Lunjiao Street, Shunde District, Foshan City. On 31 December 2019, the the Land Reserve Development Centre of Shunde District entered into the The Land Resumption Compensation Agreement with the Company and its subsidiaries and the Company will hand over the land use right to the Land Reserve Development Centre of Shunde District on 29 February 2020 after the completion of the clearance of the property. the Land Reserve Development Centre of Shunde District is responsible for the compensation of the Company of 282 million yuan for the relocation fee for the resumption of the Company.
4. In order to complete the special task of "disposing of zombie enterprises and assisting enterprises with difficulties" as soon as possible, extend the international leading ship brand of "Wenchong", maximize the strategic position of Wenchong Dockyard's ship repairing and modification business in not only the CSSC Group but also support facilities of South China military and marine equipment maintenance. In accordance with the requests from the CSSC Group, Wenchong Shipbuilding, a subsidiary of GSI, a subsidiary of the Company, absorbed and merged Guangzhou Wenchong Dockyard Co., Ltd., Wenchong Shipbuilding will continue to exist after absorbing and merging Wenchong Dockyard, Wenchong Dockyard dissolved and deregistered. After the absorption and merger, the operation scope of Wenchong Shipbuilding remains the same as Wenchong Dockyard, all assets, liabilities, businesses, employees, contracts and all other rights and obligations are unconditionally inherited by Wenchong Shipbuilding. The proposal of absorption and merger has been considered by the fourth board of directors of the fourth session of Wenchong Dockyard and the first board of directors of the first session of Wenchong Shipbuilding, and approved by the shareholders of both parties. Wenchong Shipbuilding has entered into the "Agreement on the absorption and merger of Guangzhou Wenchong Dockyard Co., Ltd. by Wenchong Shipbuilding" (the "Absorption and Merger Agreement") with Wenchong Dockyard.

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

(1) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash	708.90	1,170.04
Bank deposits	83,637,480.26	99,369,951.01
Other cash at bank and on hand	30,000,000.00	
Total	113,638,189.16	99,371,121.05

Including: Total amount deposited overseas

Note: fixed deposits with a term of over 3 months of RMB30,000,000.00 subject to restrictions on use

(2) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	45,832,847.74	51,860,731.28
Less: Provision for bad debts	5,748,065.05	5,432,061.08
Net amount	40,084,782.69	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		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	35,008,531.64	44,419.49	0.13
1-2 years	2,367,186.12	6,992.82	0.30
2-3 years	89,377.87	446.89	75.61
3-4 years	200,000.00		
4-5 years			
Over 5 years	8,167,752.11	5,696,205.85	68.92
Total	45,832,847.74	5,748,065.05	12.54

(Continued)

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	40,989,081.81	148,842.59	0.36
1-2 years	1,476,215.48	7,381.08	0.50
2-3 years	200,000.00	0.00	0.00
3-4 years			
4-5 years	5,352,687.69	4,198,241.52	78.43
Over 5 years	3,842,746.30	1,077,595.89	28.04
Total	51,860,731.28	5,432,061.08	10.47

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2. Credit period of accounts receivable

Business	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				Net amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis	5,678,918.58	12.39	5,678,918.58	100.00	-
Including: Accounts receivable of which the credit risk has significantly increased since initial recognition	5,678,918.58	12.39	5,678,918.58	100.00	-
Provision for bad debts made on a collective basis	40,153,929.16	87.61	69,146.47	0.17	40,084,782.69
Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	40,153,929.16	87.61	69,146.47	0.17	40,084,782.69
Total	45,832,847.74	-	5,748,065.05	-	40,084,782.69

(Continued)

Type	Beginning balance				Net amount
	Book balance		Provision for bad debts		
	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	46,428,670.2
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	46,428,670.2
Total	51,860,731.28	-	5,432,061.08	-	46,428,670.2

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From 1 January 2019 to 31 December 2019

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

(1) Provision for bad debts in respect of accounts receivable made on an individual basis

Name of entity	Book balance	Amount of bad debts	Percentage of provision (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,261,467.23	4,261,467.23	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.
Guangzhou Hanyang Marine Accessories and Equipment Manufacturing Co., Ltd	180,000.00	180,000.00	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.	77,152.47	77,152.47	100.00	Long ageing, with risk of collection.
Shenzhen Wanjia Digital Technology Co., Ltd.	67,583.00	67,583.00	100.00	Long ageing, with risk of collection.
Niulasite Digital Equipment (Dongguan) Co., Ltd.	59,215.94	59,215.94	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.
Dongqiang (Lianzhou) Copper Foil Company Limited	41,455.50	41,455.50	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	Very little chance of recovery
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	5,678,918.58	5,678,918.58		

(2) Accounts receivable for which provision for bad debts is made on a collective basis

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	8,883,898.93	44,419.49	0.50
1-2 years	2,367,186.12	11,835.93	0.50
2-3 years	21,794.87	108.97	0.50
3-4 years			
4-5 years			
Over 5 years	2,556,416.53	12,782.08	0.50
Total	13,829,296.45	69,146.47	0.50

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

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

Name of portfolio	Book value at the end of period	Provision for bad debts	Net amount
Receivables from subsidiaries	26,324,632.71	0.00	26,324,632.71
Total	26,324,632.71	-	26,324,632.71

4. Provision for bad debts

Type	Beginning balance	Change in the year			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts in respect of accounts receivable	5,432,061.08	416,003.97		100,000.00	5,748,065.05
Total	5,432,061.08	416,003.97		100,000.00	5,748,065.05

Accounts receivable written-off during the year

Item	Amount written-off
Accounts receivable written-off	100,000.00

5. Top five accounts receivable by ending balance of debtors

Name of entity	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
GSI	21,811,943.74	Within one year	47.59	
Zhongshan GSI	4,512,688.97	Within one year	9.85	
TENOVA AUSTRALIA PTY LTD	4,261,467.23	4-5 years	9.30	4,261,467.23
Nanshan Waste Power Plant of Shenzhen Energy Environment Engineering Co.,Ltd	1,329,270.90	Within one year	2.90	6,646.35
Sihui Highway Administration	1,227,145.63	Within one year	2.68	6,135.73
Total	33,142,516.47		72.32	4,274,249.31

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 31 December 2019
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Prepayments

1. Ageing of prepayments

Item	Ending balance		Beginning balance	
	Item	Percentage (%)	Amount	Percentage (%)
Within one year	5,866,137.29	89.07	1,379,771.04	65.70
1-2 years			20,459.60	0.97
2-3 years	19,703.60	0.30		
Over 3 years	700,000.00	10.63	700,000.00	33.33
Total	6,585,840.89	-	2,100,230.64	-

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

Name of entity	Relationship with the Company	Amount	Percentage of total advances to suppliers (%)	Ageing	Reason for unsettlement
Equipment Company	Subsidiary	700,000.00	10.63	Over 4 years	Project uncompleted
Total		700,000.00			

3. Top five prepayments by supplier based on ending balance

Name of entity	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
GSI	2,831,781.00	Within one year	43.00
Equipment Company	700,000.00	4-5 years	10.63
Guangzhou Zhuoneng Steel Structures Company Limited	590,558.00	Within one year	8.97
Shanghai Mingjue Trading Company Limited	471,360.00	Within one year	7.16
Foshan Ruisihongsheng Machinery Company Limited	441,900.00	Within one year	6.71
Total	5,035,599.00		76.47

(4) Other receivables

Item	No.	Ending balance	Beginning balance
Interest receivable	(1)	199,136.97	558,431.55
Other receivables	(2)	8,653,175.91	8,961,599.51
Total		8,852,312.88	9,520,031.06

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

1. Interest receivable

(1) Breakdown of interest receivable

Item	Ending balance	Beginning balance
Interest on deposits of finance company	199,136.97	558,431.55
Total	199,136.97	558,431.55

(2) Significant overdue interest

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

(3) Information on provision for bad debts made for interest receivable.

The Company's interest receivable as at the end of the year 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.

2. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	8,654,862.55	8,965,548.58
Less: Provision for bad debts	1,686.64	3,949.07
Net amount	8,653,175.91	8,961,599.51

(1) Breakdown of other receivables by nature

Nature of amount	Book balance as at the end of the year	Book balance as at the beginning of the year
Refundable deposit	248,748.00	10,440.00
Temporary payments receivable	8,381,912.97	8,931,274.58
Reserve funds	24,201.58	23,834.00
Total	8,654,862.55	8,965,548.58

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(2) Provision for bad debts made for other receivables

Provision for bad debts	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
Balance as at 1 January 2019		3,949.07		3,949.07
Book balance of other receivables 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 year		-2,262.43		-2,262.43
Reversed during the year				
Offset during the year				
Written off during the year				
Other changes				
Balance as at 31 December 2019		1,686.64		1,686.64

- (i) 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		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	140,202.36	698.16	0.50
1-2 years	38,600.00	193.00	0.50
2-3 years	152,495.58	762.48	0.50
3-4 years	-		
4-5 years	6,600.00	33.00	0.50
Over 5 years			
Total	337,897.94	1,686.64	0.50

(3) Ageing analysis of other receivables

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	8,457,166.97	698.16	0.01
1-2 years	38,600.00	193.00	0.50
2-3 years	152,495.58	762.48	0.50
3-4 years			
4-5 years	6,600.00	33.00	0.50
Over 5 years			
Total	8,654,862.55	1,686.64	0.02

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

(Continued)

Ageing	Beginning balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	8,226,153.00	252.09	
1-2 years	467,795.58	2,338.98	0.5
2-3 years	265,000.00	1,325.00	0.5
3-4 years	6,600.00	33.00	0.5
Total	8,965,548.58	3,949.07	

(4) Provision for bad debts for other receivables

Type	Beginning balance	Change in the year			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts for other receivables	3,949.07	-2,262.43			1,686.64
Total	3,949.07	-2,262.43			1,686.64

(5) 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
GSI Huangpu Wenchong	Current account	7,683,353.50	Within one year	88.77	
	Interest on borrowing and repayment on a consolidated basis	633,611.11	1-2 year	7.32	
China National Shipbuilding Equipment And Materials (South China) Company Limited	Deposit	248,748.00	2-3 years	2.87	1,243.74
Sinopec Chemical Commercial Holding Company Limited Guangdong Guangzhou Branch	Current account	10,613.64	Within one year	0.12	53.07
Total	-	8,576,326.25	-	99.08	1,296.81

(6) Other receivables relating to government grants

None.

(7) Other receivables derecognised arising from transfer of financial assets

None.

(8) Amount of assets and liabilities transferred from other receivables with continuing involvement

None.

(9) Advance to employees receivable

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 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	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials	12,654,464.93		12,654,464.93	14,617,277.36		14,617,277.36
Finished goods	21,946,756.31		21,946,756.31	17,255,982.52	15,951.95	17,240,030.57
Goods in transit	2,286,148.77		2,286,148.77	2,906,014.74		2,906,014.74
Contract performance cost	43,195,028.91	2,038,262.76	41,156,766.15	67,225,269.25	3,091,198.65	64,134,070.60
Total	80,082,398.92	2,038,262.76	78,044,136.16	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 year		Decrease for the year		Ending balance
		Provision made	Others	Reversal or writing-off	Other transfer-out	
Contract performance cost	3,091,198.65			1,052,935.89		2,038,262.76
Finished goods	15,951.95			15,951.95		
Total	3,107,150.60			1,068,887.84		2,038,262.76

3. Provision for impairment of inventories made

Item	Basis for determination of net realisable value	Reason for reversal or offsetting during the year
Contract performance cost	Book cost higher than net realisable value (Estimated selling price less related costs and expenses)	Completed for resale
Finished goods	Book cost higher than net realisable value (Estimated selling price less taxes)	Completed for sale

(6) Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Long-term entrusted loans due within one year	70,000,000.00		Note
Long-term receivables due within one year	200,000,000.00		Note
Total	270,000,000.00		

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

(7) Other current assets

Item	Ending balance	Beginning balance	Nature
Short-term entrusted loans		100,000,000.00	
Short-term borrowing and repayment on a consolidated basis	200,000,000.00	650,000,000.00	
Input tax to be offset	44,609,360.00	11,163,163.71	
Total	244,609,360.00	761,163,163.71	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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(8) Long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value	
Borrowing and repayment on a consolidated basis	600,000,000.00		600,000,000.00				2.035
Total	600,000,000.00		600,000,000.00				

(9) Long-term equity investments

1. Breakdown of long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	7,232,881,238.66		7,232,881,238.66	7,232,881,238.66		7,232,881,238.66
Investments in joint ventures				47,924,819.35		47,924,819.35
Investments in associates	640,905,015.33		640,905,015.33	640,629,928.82		640,629,928.82
Total	7,873,786,253.99		7,873,786,253.99	7,921,435,986.83		7,921,435,986.83

2. Investments in subsidiaries

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

3. Investments in joint ventures

Investee	Beginning balance	Changes in the period							Ending balance	Ending balance of provision for impairment	
		Increase in 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			Others
Nanfeng Environment Co., Ltd.	47,924,819.35			2,477,063.86						-50,401,883.21	
Total	47,924,819.35			2,477,063.86						-50,401,883.21	

4. Investments in associates

Investee	Beginning balance	Changes in the period							Ending balance	Ending balance of provision for impairment	
		Increase in 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			Others
CSSC Chengxi Yangzhou Shipbuilding Company Limited	640,629,928.82			361,781.13			86,694.62				640,905,015.33
Total	640,629,928.82			361,781.13			86,694.62				640,905,015.33

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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5. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	7,873,786,253.99	7,921,435,986.83
Total	7,873,786,253.99	7,921,435,986.83

(10) Fixed assets

1. Fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning balance	135,879,178.20	79,116,042.43	2,621,466.86	1,535,395.19	219,152,082.68
2. Increase for the period	393,260,534.64	184,011.59		104,545.27	393,549,091.50
(1) Purchase	393,260,534.64	184,011.59		104,545.27	393,549,091.50
3. Decrease for the period		61,022,711.40	1,700,298.28	450,527.60	63,173,537.28
(1) Retirement		61,022,711.40	1,700,298.28	450,527.60	63,173,537.28
4. Ending balance	529,139,712.84	18,277,342.62	921,168.58	1,189,412.86	549,527,636.90
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	5,849,005.03	2,478,032.95	83,966.89	240,802.64	8,651,807.51
(1) Provision made	5,849,005.03	2,478,032.95	83,966.89	240,802.64	8,651,807.51
3. Decrease for the period		52,889,552.15	1,623,696.16	359,100.28	54,872,348.59
(1) Retirement		52,889,552.15	1,623,696.16	359,100.28	54,872,348.59
4. Ending balance	86,291,446.27	14,903,410.17	476,478.56	420,236.11	102,091,571.11
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	442,848,266.57	3,373,932.45	444,690.02	769,176.75	447,436,065.79
2. Carrying value at the beginning of the year	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 RMB8,651,807.51 (last year: RMB6,934,709.08).

2. Buildings and structures analysed by region and term:

Item	Ending balance	Beginning balance
Within China	442,848,266.57	55,436,736.96
Medium term (10-50 years)	442,848,266.57	55,436,736.96
Total	442,848,266.57	55,436,736.96

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(11) Right-of-use assets

Item	Buildings and Structures	Total
I. Original carrying value		
1. Beginning balance		
2. Increase for the period	2,730,577.09	2,730,577.09
(1) New lease	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	834,342.96	834,342.96
(1) Provision made	834,342.96	834,342.96
3. Decrease for the period		
4. Ending balance	834,342.96	834,342.96
III. Provision for impairment		
1. Beginning balance		
2. Increase for the period		
3. Decrease for the period		
4. Ending balance		
IV. Carrying value		
1. Carrying value at the end of the period	1,896,234.13	1,896,234.13
2. Carrying value at the beginning of the year		

(12) Intangible assets

Item	Land use rights	Software	Others	Total
I. Original carrying amount				
1. Beginning balance	14,780,508.50			14,780,508.50
2. Increase for the period				
3. Decrease for the period				
4. Ending balance	14,780,508.50			14,780,508.50
II. Accumulated amortisation				
1. Beginning balance	4,311,781.76			4,311,781.76
2. Increase for the period	307,619.45			307,619.45
(1) Provision made	307,619.45			307,619.45
3. Decrease for the period				
4. Ending balance	4,619,401.21			4,619,401.21
III. Provision for impairment				
1. Beginning balance				
2. Increase for the period				
3. Decrease for the period				
4. Ending balance				
IV. Carrying value				
1. Carrying value at the end of the period	10,161,107.29			10,161,107.29
2. Carrying value at the beginning of the year	10,468,726.74			10,468,726.74

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

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Land use rights analysed by region and term:

Item	Ending balance	Beginning balance
Within China	10,161,107.29	10,468,726.74
Medium term (10-50 years)	10,161,107.29	10,468,726.74
Total	10,161,107.29	10,468,726.74

(13) Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases for the year	Ending balance
Renovation of Ship Building's office		922,760.83	201,853.96		720,906.87
Total		922,760.83	201,853.96		720,906.87

(14) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deductible tax loss	80,000,000.00	20,000,000.00	80,000,000.00	20,000,000.00
Total	80,000,000.00	20,000,000.00	80,000,000.00	20,000,000.00

2. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	7,788,014.45	8,543,160.75
Deductible tax loss	399,578,865.04	392,403,811.89
Total	407,366,879.49	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	Remarks
2020	328,054,955.11	328,054,955.11	
2021	51,262,939.86	51,262,939.86	
2023	20,260,970.07	13,085,916.92	
Total	399,578,865.04	392,403,811.89	

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(15) Other non-current assets

Item	Ending balance	Ending balance
Relocation expenses to be written off	16,902,001.36	13,860,105.78
Long-term entrusted loans	420,000,000.00	620,000,000.00
Total	436,902,001.36	633,860,105.78

(16) Short-term borrowings

Type	Ending balance	Beginning balance
Credit loans	200,000,000.00	650,000,000.00
Total	200,000,000.00	650,000,000.00

(17) Notes and accounts payable

1. Accounts payable by category

Item	Ending balance	Beginning balance
Materials purchased	45,197,932.54	53,508,879.72
Payment for projects under construction	128,518,926.14	
Balance of product payment		623,803.11
Retention money	1,224,706.20	1,936,196.71
Other construction and labour services	4,970,431.30	2,776,712.04
Total	179,911,996.18	58,845,591.58

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

Ageing	Ending balance	Beginning balance
Within one year	170,174,746.13	41,770,665.95
1-2 years	136,110.00	3,166,464.66
2-3 years		5,227,966.00
Over 3 years	9,601,140.05	8,680,494.97
Total	179,911,996.18	58,845,591.58

3. Significant accounts payable aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Guangzhou Guangchuan Offshore Engineering Equipment Co., Ltd.	6,144,185.46	Undue
United Steel	1,145,225.47	Undue
United Steel	639,921.75	Undue
Yizheng Hengda Steel Structure Limited	370,450.00	Undue
Lianjian--Fonkwang JV Limited	334,575.14	Undue
Total	8,634,357.82	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

18. Contract liabilities

Item	Ending balance	Beginning balance
Electromechanical and other products	59,818,924.73	65,497,566.97
Total	59,818,924.73	65,497,566.97

Included in the carrying value of contract liabilities at the beginning of the period was income recognized of RMB48,429,261.99.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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19. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term remuneration		53,425,626.14	53,425,626.14	
Post-employment benefits – defined contribution plans		2,976,576.78	2,976,576.78	
Total		56,402,202.92	56,402,202.92	

(2) Short-term remuneration

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Salaries, bonuses, allowances and subsidies		28,163,240.45	28,163,240.45	
Employee benefits		2,121,682.31	2,121,682.31	
Social insurance contribution		1,496,284.37	1,496,284.37	
Including: Medical insurance contribution		1,218,888.22	1,218,888.22	
Work-related injury insurance contribution		56,828.08	56,828.08	
Maternity insurance contribution		220,568.07	220,568.07	
Housing fund		1,866,900.00	1,866,900.00	
Labour union & employee education funds		889,767.56	889,767.56	
Outsourcing labour costs and other short- term compensation		18,887,751.45	18,887,751.45	
Total		53,425,626.14	53,425,626.14	

(3) Defined contribution plans

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

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

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		2,835,158.92	2,835,158.92	
Unemployment insurance contribution		141,417.86	141,417.86	
Total		2,976,576.78	2,976,576.78	

Note: As at the end of the year, all planned pension and unemployment insurance contributions of the Company had been made.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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20. Taxes payable

Item	Ending balance	Beginning balance
Value added tax	2,124,503.04	1,479,060.70
Property tax		807,342.83
Land use tax		273,550.80
Individual income tax	460,855.86	428,611.09
City maintenance and construction tax	148,715.21	103,572.54
Educational surcharge	66,117.89	73,980.38
Other taxes	1,900.60	51,173.95
Total	2,802,092.60	3,217,292.29

21. Other payables

Item	No.	Ending balance	Beginning balance
Interest payable	1	565,277.78	731,881.94
Dividends payable	2	304,042.49	304,042.49
Other payables	3	52,727,443.33	40,958,924.28
Total		53,596,763.60	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	452,222.22	
Interest payable on short-term borrowings	113,055.56	731,881.94
Total	565,277.78	731,881.94

(2) Dividends payable

Item	Ending balance	Beginning balance
Dividends on ordinary shares	304,042.49	304,042.49
Including: Dividends payable for A shares	66,091.17	66,091.17
Dividends payable for H shares	237,951.32	237,951.32
Total	304,042.49	304,042.49

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From 1 January 2019 to 31 December 2019

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

(3) Other payables

1) Other payables by nature

Nature of amount	Ending balance	Beginning balance
Deposits received	750,000.00	750,000.00
Payables for temporary receipts	51,977,443.33	40,208,924.28
Total	52,727,443.33	40,958,924.28

2) Significant other payables aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Foshan Nanhai Yangming Ship Hardware Co., Ltd.	300,000.00	Deposits received
Xuzhou Jiacheng Shipping Equipment Co., Ltd.	200,000.00	Deposits received
Guangzhou Jiaxi Steel Structure Engineering Co., Ltd.	150,000.00	Deposits received
Xuzhou Guangxin Electromechanical Engineering Co., Ltd.	100,000.00	Deposits received
Total	750,000.00	–

22. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	200,000,000.00	
Lease liabilities due within 1 year	898,274.92	
Total	200,898,274.92	

Including: Long-term borrowings due within one year

Type	Ending balance	Beginning balance
Credit loans	800,000,000.00	
Total	800,000,000.00	
The carrying amount of the above borrowings shall be repaid:		
Within one year	200,000,000.00	
Over one year but less than two years after balance sheet date	600,000,000.00	
Over two years but less than five years after balance sheet date		
Less: Amount due within one year, as shown under current liabilities	200,000,000.00	
Amount shown under non-current liabilities	600,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

23. Other current liabilities

Item	Ending balance	Beginning balance
Output value-added tax payable	30,817.60	77,418.16
Total	30,817.60	77,418.16

24. Long term borrowings

Type of borrowings	Ending balance	Beginning balance
Guaranteed borrowings	800,000,000.00	
Total	800,000,000.00	
The carrying amount of the above borrowings shall be repaid:		
Within one year	200,000,000.00	
Over one year but less than two years after balance sheet date	600,000,000.00	
Over two years but less than five years after balance sheet date		
Less: Amount due within one year, as shown under current liabilities	200,000,000.00	
Amount shown under non current liabilities	600,000,000.00	

25. Lease liabilities

Item	Ending balance	Beginning balance
Lease payment	2,076,788.62	
Less: Unrecognized financing costs	82,351.21	
Less: Lease liabilities due within one year	898,274.92	
Total	1,096,162.49	

26. Long-term payables

Item	No.	Ending balance	Beginning balance
Special payables	(1)	99,370,000.00	99,370,000.00
Total		99,370,000.00	99,370,000.00

(1) Special payables

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

Note: The above are state funds allocated to the projects, and as the capital investment in the Company from the state, they belong to the state exclusively when the projects have been completed and approved as qualified. Upon increase in the registered capital of the Company, they will be converted into the capital contribution to the Company made by the CSSC Group.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

27. Share capital

The amount is the same as that in the consolidated statements. For details, please see Note VI.39.

28. Capital reserve

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

29. Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	454,088,745.02	10,947.70		454,099,692.72
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	472,670,941.45	10,947.70		472,681,889.15

Note: The statutory surplus reserve is drawn according to the Company's articles of association based on 10% of net profit

30. Undistributed profit

Item	Current year	Last year
Undistributed profit as at the end of last year before adjustment	720,977,633.51	744,290,926.38
Add: Beginning adjustment to Undistributed profit		
Unadjusted profit at the beginning of the year after adjustment	720,977,633.51	744,290,926.38
Add: Net profit attributable to owners of the Company for the year	109,477.03	-23,313,292.87
Other adjustments		
Less: Statutory surplus reserve set aside	10,947.70	
Dividends payable on ordinary shares		
Undistributed profit as at the end of the year	721,076,162.84	720,977,633.51

31. Net current assets

Item	Ending balance	Beginning balance
Current assets	761,814,621.78	1,017,480,609.93
Less: Current liabilities	697,058,869.63	819,632,717.71
Net current assets	64,755,752.15	197,847,892.22

32. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	10,152,717,191.21	9,674,085,399.77
Less: Current liabilities	697,058,869.63	819,632,717.71
Total assets less current liabilities	9,455,658,321.58	8,854,452,682.06

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

33. Borrowings

Details of the borrowings of the Company are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	200,000,000.00	650,000,000.00
Non-current liabilities due within one year	200,000,000.00	
Long-term borrowings	600,000,000.00	
Total	1,000,000,000.00	650,000,000.00

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
— Bank borrowings repayable within 1 year	400,000,000.00	650,000,000.00
— Other borrowings repayable after 1 year	600,000,000.00	
Total	1,000,000,000.00	650,000,000.00

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
On demand or within one year	400,000,000.00	650,000,000.00
1-2 years	600,000,000.00	
Total	1,000,000,000.00	650,000,000.00

34. Operating income & Operating costs

(1) Information on operating income and operating cost

Item	Current year	Last year
Income from principal business	155,878,507.57	204,328,817.06
Income from other business	22,715,493.17	3,640,832.33
Total	178,594,000.74	207,969,649.39
Costs of principal business	163,697,260.77	220,614,130.64
Costs of other business	4,735,248.08	888,872.56
Total	168,432,508.85	221,503,003.20

NOTES TO THE FINANCIAL STATEMENTS

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

Gross profit from principal business

Item	Current year	Last year
Income from principal business	155,878,507.57	204,328,817.06
Costs of principal business	163,697,260.77	220,614,130.64
Gross profit	-7,818,753.20	-16,285,313.58

1) *Principal business — by product*

Product name	Amount for the year	Amount for last year
Operating income		
Steel structure products		37,214,551.62
Electro-mechanical products and others	155,878,507.57	167,114,265.44
Total	155,878,507.57	204,328,817.06
Operating costs		
Steel structures	37,170,874.37	
Electro-mechanical products and others	163,697,260.77	183,443,256.27
Total	163,697,260.77	220,614,130.64

2) *Principal business — by region*

Region name	Amount for the year	Amount for last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	155,878,507.57	204,328,817.06
Total	155,878,507.57	204,328,817.06
Operating costs		
China (including Hong Kong, Macau and Taiwan)	163,697,260.77	220,614,130.64
Total	163,697,260.77	220,614,130.64

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

3) Other operating income and other operating costs

Product name	Amount for the year	Amount for last year
Income from other business		
Sales of scrap materials	4,949,338.42	2,624,983.27
Service income		15,849.06
Rental income	6,445,399.99	1,000,000.00
Others	11,320,754.76	
Total	22,715,493.17	3,640,832.33
Costs of other business		
Sales of scrap materials		15,849.06
Service income		873,023.50
Rental income	4,735,248.08	
Others		
Total	4,735,248.08	888,872.56

(2) Top five customers by operating income

Customers	Current year	Percentage of total income from principal business (%)
GSI	49,691,453.35	31.88
Equipment Company	17,290,406.12	11.09
Zhongshan GSI	15,707,830.90	10.08
Changsha Zehai Electromechanical Equipment Co., Ltd.	7,930,469.62	5.09
Foshan Shengchuan Machine Tool Co., Ltd.	5,250,468.86	3.37
Total	95,870,628.85	61.51

(3) Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount	Percentage of cost of principal business (%)
Foshan Shunde Bogang Metal Trading Co., Ltd.	Third party	11,776,338.12	7.19
Anhui Powmac Heavy Industry Machinery Equipment Co., Ltd.	Third party	8,803,196.57	5.38
Zhongshan GSI	Internal related party	3,475,106.39	2.12
Guangzhou Yuanhao Electromechanical Equipment Co., Ltd.	Third party	2,861,499.12	1.75
GSI	Internal related party	2,511,369.25	1.53
Total		29,427,509.45	17.97

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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35. Taxes and surcharges

Item	Current year	Last year
Property tax	1,429,545.56	1,126,894.94
Land use tax	276,340.80	362,676.48
City maintenance and construction tax	576,273.03	269,323.17
Educational surcharge	411,623.59	192,373.71
Stamp duty	389,693.65	158,091.13
Vehicle and vessel tax	2,915.76	2,922.88
Total	3,086,392.39	2,112,282.31

36. Selling expenses

Item	Current year	Last year
Transportation fees	1,361,000.15	2,448,734.53
Exhibition fee		165,735.85
Advertising fee	48,137.56	26,223.97
Sales service fee	1,002.83	
Employee benefits	498,285.20	
Business expenditure	392,369.29	1,082,636.75
Others	3,113.20	1,000.00
Total	2,303,908.23	3,724,331.10

37. Administrative expenses

Item	Current year	Last year
Employee benefits	10,034,699.91	8,912,812.27
Insurance expense	8,084.57	9,699.81
Depreciation charge	398,019.08	350,766.88
Repairing expenses	1,038,984.49	1,679,238.17
Amortization of intangible assets	135,097.32	323,303.16
Travelling expenses	312,262.37	387,285.45
Office expenses	161,911.32	151,070.59
Litigation fee	58,899.04	91,535.11
Intermediary fee	458,941.06	561,015.96
Consultation fee	273,584.91	
Board meeting fee	3,537,577.65	4,916,726.84
Project expenses	13,949,397.78	
Others	2,687,410.86	4,436,417.61
Total	33,054,870.36	21,819,871.85

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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38. Research and development expenses

Item	Current year	Last year
130T all-electric injection molding machine		625,000.00
Total		625,000.00

39. Finance costs

(1) Breakdown of finance costs

Item	Current year	Last year
Interest expense	25,944,447.57	10,735,743.06
Less: Interest income	53,806,498.36	38,396,447.96
Add: Exchange losses		446,432.91
Less: Exchange income	74,020.69	
Other expenses	65,805.04	350,809.99
Total	-27,870,266.44	-26,863,462.00

(2) Breakdown of interest expenses

Item	Current year	Last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years	25,863,444.44	10,735,743.06
Less: Interest capitalised	81,003.13	
Total	25,944,447.57	10,735,743.06

(3) Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	1,598,085.37	2,532,948.10
Other interest income	52,208,412.99	35,863,499.86
Total	53,806,498.36	38,396,447.96

NOTES TO THE FINANCIAL STATEMENTS

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40. Other income

Item	Amount for the year	Amount for last year	Source and basis	Relating to assets/relating to revenue
Subsidies for basic electricity charges of transformer capacity in large industrial enterprises in 2019	142,360.00		National government subsidy	Relating to revenue
Refund of handling fee for withholding individual income tax	9,112.40	38,708.44	Guangzhou Local Taxation Bureau	Relating to revenue
Subsidy for standard modification project		75,320.00	Guangzhou Municipal Bureau of Quality and Technical Supervision	Relating to revenue
Veterans tax incentives	7,500.00		National government subsidy	Relating to assets
Total	158,972.40	114,028.44		

41. Investment income

Item	Current year	Last year
Gain on long-term equity investments accounted for using equity method	2,838,844.99	-10,099,639.37
Investment income from disposal of long-term equity investments	-2,570,199.97	
Total	268,645.02	-10,099,639.37

The investment income from non-listed investments for the year amounted to RMB268,645.02 (last year: RMB-10,099,639).

42. Credit impairment loss

Item	Amount for the year	Amount for last year
Loss on bad debts of notes and accounts receivable	-416,003.97	1,661,940.01
Loss on bad debts of other receivables	2,262.43	-1,217.61
Total	-413,741.54	-1,660,722.40

43. Loss on impairment of assets

Item	Current year	Last year
Loss on impairment of inventories		3,340,528.00
Total		3,340,528.00

44. Gain on disposal of assets

Item	Amount for the period	Amount for the last period
Gains or losses from the disposal of fixed assets and intangible assets	171,396.31	
Total	171,396.31	

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45. Non-operating income

(1) Breakdown of non-operating income

Item	Current year	Last year	Amount included in non-recurring gains and losses for current period
Contract breach compensation	930,030.43		930,030.43
Gain on retirement of damaged non current assets	7,453.60	8,747.58	7,453.60
Others	270.00	15,180.00	270.00
Total	937,754.03	23,927.58	937,754.03

Note: The amount included in non-recurring gains and losses for the year was RMB937,754.03 (last year: RMB23,927.58).

46. Non-operating expenses

Item	Current year	Last year	Amount included in non-recurring gains and losses for current period
Total losses on disposal of non-current assets		36,523.55	
Including: Loss on disposal of fixed assets		36,523.55	
External donations	20,000.00	40,000.00	20,000.00
Others	580,136.54	3,514.50	580,136.54
Total	600,136.54	80,038.05	600,136.54

Note: The amount included in non-recurring gains and losses for the year was RMB600,136.54 (last year: RMB80,038.05).

47. Depreciation and amortisation

Item	Current year	Last year
Depreciation of fixed assets	8,651,807.51	6,934,709.08
Amortisation of intangible assets	307,619.45	323,303.16
Long-term prepaid expenses	201,853.96	2,344.24
Amortization of right of use assets	834,342.96	
Total	9,995,623.88	7,260,356.48

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

The profit from the sale of investment or property for the year of RMB2,570,199.97, was resulted from the transfer of 60% of the equity interest in Nanfang Environment Co., Ltd., a joint venture, to GSI, a subsidiary.

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From 1 January 2019 to 31 December 2019

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49. Operating rental expense

The operating rental expense during the year was RMB 817,142.81 (last year: RMB Nil).

50. Rental income

Operating rental income for the year is RMB6,445,399.99 (last year: RMB1,000,000.00), including rental income from land and buildings of RMB6,445,399.99 (last year: RMB1,000,000.00).

51. Supplementary information on consolidated income statement of the Company

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

Item	Current year	Last year
Raw materials consumed	81,020,229.20	113,271,123.89
Employee compensation expenses	52,011,959.16	53,928,214.29
Depreciation expenses	9,486,150.47	6,934,709.08
Amortisation expenses	509,473.41	325,647.40
Utilities fee	5,920,850.00	3,739,684.06
Research and development expenses		625,000.00
Others	54,842,625.20	68,847,827.43
Total	203,791,287.44	247,672,206.15

52. Notes to items in the cash flow statement

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

1) Other cash receipts relating to operating activities

Item	Current year	Last year
Government grants	142,360.00	
Other non-operating income	930,300.43	
Receipt/recovery of deposit and margin	328,500.00	1,405,660.00
Interest income from demand bank deposit	1,598,085.37	2,378,426.24
Other current account	6,190,370.84	6,837,324.35
Insurance claims	333,839.00	
Recovery of economic compensation paid for others	28,300,000.00	12,083,794.64
Total	37,823,455.64	22,705,205.23

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2) *Other cash payments relating to operating activities*

Item	Current year	Last year
Administrative expense	24,940,452.34	9,381,486.40
Selling expenses	2,303,908.23	337,692.21
Bank charges	65,805.04	370,384.08
Non-operating expenses	600,136.54	
Deposit and margin paid	248,748.00	951,400.00
Reserve funds	1,038,163.19	816,587.99
Payment of other current accounts	2,396,949.24	10,503,763.53
One-off lay-off economic compensation paid	26,200,264.10	10,283,540.39
Total	57,794,426.68	32,644,854.60

3) *Other cash receipts relating to investing activities*

Item	Current year	Last year
Release of pledge on fixed deposits	30,000,000.00	
Interest income on fixed deposits	273,320.83	
Collection of loans made and settled on a consolidated basis	650,000,000.00	600,000,000.00
Collection of interest on loans made and settled on a consolidated basis and interest on entrusted loans	54,265,604.14	36,513,027.80
Recovery of principal of entrusted loans	330,000,000.00	320,000,000.00
Total	1,064,538,924.97	956,513,027.80

4) *Other cash payments relating to investing activities*

Item	Current year	Last year
Pledge of fixed deposit of 3 months and above	60,000,000.00	
Payment of loans to subsidiaries made and settled on a consolidated basis	1,000,000,000.00	650,000,000.00
Grant of entrusted loans to subsidiaries	100,000,000.00	720,000,000.00
Others		23,184.47
Total	1,160,000,000.00	1,370,023,184.47

(5) *Other cash payments relating to financing activities*

Item	Amount for the period	Amount for the last period
Rental payment	817,142.81	
Total	817,142.81	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

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

Item	Current year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	109,477.03	-23,313,292.87
Add: Provision for impairment of assets		-3,340,528.00
Credit impairment loss (new financial standard)	413,741.54	1,660,722.40
Depreciation of fixed assets	9,486,150.47	6,934,709.08
Amortisation of intangible assets	307,619.45	323,303.16
Amortisation of long-term prepaid expenses	201,853.96	2,344.24
Loss on disposal of fixed assets, intangible assets and other long-term assets	-171,396.31	
Loss on retirement of fixed assets (gain expressed with "-")		27,775.97
Loss on changes in fair value	-7,453.60	
Loss on changes in fair value (gain expressed with "-")		
Finance cost (gain expressed with "-")	-26,337,986.11	10,735,743.06
Loss on investments (gain expressed with "-")	-268,645.02	10,099,639.37
Decrease in deferred tax assets (Increase expressed with "-")		
Increase in deferred tax liabilities (Decrease expressed with "-")		
Decrease in inventories (Increase expressed with "-")	21,922,144.95	38,187,026.06
Decrease in operating receivables (Increase expressed with "-")	2,212,253.90	-11,464,209.85
Increase in operating payables (Decrease expressed with "-")	1,013,703.60	-39,061,557.46
Others		
Net cash flows from operating activities	8,881,463.86	-9,208,324.84
2. Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents:		
Cash balance at the end of the year	83,638,189.16	99,371,121.05
Less: Cash balance at the beginning of the year	99,371,121.05	513,258,307.19
Add: Balance of cash equivalents at the end of the year		
Less: Balance of cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	-15,732,931.89	-413,887,186.14

(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	83,638,189.16	99,371,121.05
Including: Cash on hand	708.90	1,170.04
Bank deposits available for use on demand	83,637,480.26	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 year	83,638,189.16	99,371,121.05
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 2019

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

XVIII. SUPPLEMENTAL INFORMATION ON FINANCIAL STATEMENTS

1. Breakdown of non-recurring gains and losses for the year

- (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 year were as follows:

Item	Current year	Explanation
Gain or loss on disposal of non-current assets	-1,064,949.76	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature		
Government grants included in current profit or loss	112,821,078.94	
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	13,745,972.01	
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs		
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current year from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		
Gain or loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation	-74,006,707.27	
Reversal of the provision for impairment of receivables which are tested individually for impairment		
Gains or losses from entrusted loans	352,777.77	
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	2,286,549,777.59	
Other gain or loss items meeting the definition of non-recurring gains or losses		
Sub-total	2,338,397,949.28	
Effect of income tax	151,297,701.88	
Effect of minority interests (after tax)	621,687,138.60	
Total	1,565,413,108.80	

Note: Other non operating income and expenses were mainly the compensation for the relocation of Shipyard Wenchong, a subsidiary and the land resumption compensation of GSI. For details, please refer to Note VI (61).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2019 to 31 December 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:

- 1) Items defined as recurring gains or losses

Item	Amount	Reason
Grant for insurance maintained for first piece (set)	194,929,780.81	Closely relating to operation, granted at fixed amount and on a continuous basis
Finance interest discount	29,180,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Value added tax of self produced software refund upon collection	1,438,098.94	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	225,547,879.75	

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 equity, basic earnings per share and diluted earnings per share of the Group for 2018 were as follows:

Profit for the Reporting Period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	5.49	0.3879	0.3879
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	-10.19	-0.7196	-0.7196

XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 27 March 2020.

CSSC Offshore & Marine Engineering (Group) Company Limited

27 March 2020

SECTION XI FIVE-YEAR FINANCIAL SUMMARY

The Group's major accounting data for the last five years based on its audited financial statements is as follows:

Major accounting data	2019	2018	2017	2016	2015
Net profit	928,546,285.12	-247,415,0150.26	-45,856,889.17	-75,032,167.79	103,897,638.65
Including: Net profit attributable to shareholders of the Company	548,320,338.54	-1,869,014,160.08	-50,507,587.08	-84,356,731.59	98,320,709.38
Gain or loss attributable to minority interests	380,225,946.58	-605,135,990.18	4,650,697.91	9,324,563.80	5,576,929.27
	As at the end of 2019	As at the end of 2018	As at the end of 2017	As at the end of 2016	As at the end of 2015
Total assets	52,304,069,154.98	47,475,344,086.37	46,753,104,355.82	48,752,726,789.26	48,995,954,305.21
Total liabilities	36,756,345,467.11	33,118,933,538.30	34,433,614,505.78	37,821,960,294.21	38,627,297,191.72
Net assets	15,547,723,687.87	14,356,410,548.07	12,319,489,850.04	10,930,766,495.05	10,368,657,113.49
Including: Net assets attributable to shareholders of the Company	10,148,256,838.77	9,727,437,689.21	10,809,092,281.78	10,880,779,928.54	10,318,048,242.46
Minority interests	5,399,466,849.10	4,628,972,858.86	1,510,397,568.26	49,986,566.51	50,608,871.03