



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

**2020
INTERIM REPORT**

IMPORTANT NOTES

- I. The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm that information contained in this interim report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
- II. Save as mentioned below, all Directors of the Company attended the meeting of the Board for approving this interim report. Absent Directors were:

Position held by absent Director	Name of absent Director	Reasons for absence	Name of proxy
Director	Chen Zhongqian	Work	Chen Ji
Director	Sheng Jigang	Work	Xiang Huiming
Director	Shi Jun	Work	Han Guangde

- III. The financial information contained in this interim report is unaudited. The Audit Committee of the Company has reviewed and approved the interim results and financial report of the Company for the period ended 30 June 2020.
- 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 interim report.
- V. The Company will not make profit distribution or issue new bonus shares by conversion of capital reserve for the first half of 2020 (First half of 2019: Nil).
- VI. This interim report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.
- VII. No controlling shareholder or related party of the Company has misappropriated funds of the Company.
- VIII. No guarantee has been provided by the Company in violation of the required decision-making procedures.
- IX. The relevant risks which might exist have been described in this report in details, please refer to Section IV Management's Discussion and Analysis for the risks that the Company might face.
- X. As at the date of this interim report, the Board comprises eleven Directors, namely executive Directors Mr. Han Guangde, Mr. Chen Zhongqian, Mr. Chen Liping, Mr. Sheng Jigang, Mr. Xiang Huiming and Mr. Chen Ji, non-executive Director Mr. Shi Jun and independent non-executive Directors Mr. Wang Yichu, Mr. Min Weiguo, Mr. Liu Renhui and Mr. Yu Shiyong.
- XI. This report is prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

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SECTION I DEFINITIONS

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

Definitions of frequently used terms

Board	the board of Directors
China or PRC	The People's Republic of China
Company or COMEC	CSSC Offshore & Marine Engineering (Group) Company Limited
CSSC	China State Shipbuilding Corporation Limited
CSSC Chengxi	CSSC Chengxi Shipbuilding Co., Ltd., a wholly-owned subsidiary of CSSC Holdings
Chengxi Yangzhou	CSSC Chengxi Yangzhou Shipbuilding Company Limited, directly and indirectly wholly-owned subsidiary of CSSC Holdings
CSSC Holdings	China CSSC Holdings Limited, a listed company controlled by CSSC
Director(s)	the director(s) of the Company
DWT (deadweight tonnage)	deadweight capacity with ton as unit
Group	CSSC Offshore & Marine Engineering (Group) Company Limited and its subsidiaries
GSI	Guangzhou Shipyard International Company Limited, in which the Company owns a 46.3018% equity interest
Huangchuan Ocean Engineering	Guangzhou Huangchuan Ocean Engineering Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, a 54.5371%-owned subsidiary of the Company
Listing Rules	the Rules governing the Listing of Securities on the Stock Exchange
SFO or Securities and Futures Ordinance	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
SSE	The Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Wenchong Shipyard	Guangzhou Wenchong Shipyard Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong
WUYIGE	WUYIGE Certified Public Accountants LLP

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Authorised Securities Representative
Name	Li Zhidong	Yu Wenbo
Contact address	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou, China	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou, China
Telephone	020-81636688	020-81636688
Fax	020-81896411	020-81896411
E-mail	lizd@comec.cssc.net.cn	yuw@comec.cssc.net.cn

III. CHANGES OF GENERAL INFORMATION

Registered address of the Company	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou, China
Postal code	510250
Office address of the Company	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou, China
Postal code	510250
Website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn
Index to searches of changes during the Reporting Period	For details, please refer to the Company's Announcement on Completion of Change of Registered Address and Re-issue Business License by COMEC on the SSE website (www.sse.com.cn), the Stock Exchange website (www.hkexnews.hk) and the Company website (comec.cssc.net.cn) on 6 April 2020

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BASIC INFORMATION OF THE SHARES OF THE COMPANY

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

VI. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(i) Key accounting figures

Unit: Yuan Currency: RMB

Key accounting information	Reporting Period (From January to June)	Corresponding period of last year	Change (%)
Operating income	4,293,181,183.56	7,816,085,319.68	-45.07
Net profit attributable to shareholders of the Company	3,102,837,570.74	390,750,329.92	694.07
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-298,961,032.30	-421,908,383.84	Not applicable
Net cash flows from operating activities	-2,737,517,979.55	-3,200,477,314.96	Not applicable
	As at the end of the Reporting Period	As at the end of last year	Change (%)
Net assets attributable to shareholders of the Company	13,403,584,460.53	10,148,256,838.77	32.08
Total assets	37,238,825,773.31	52,304,069,154.98	-28.80

(ii) Key financial indicators

Key financial indicators	Reporting Period (From January to June)	Corresponding period of last year	Change (%)
Basic earnings per share (RMB/share)	2.1951	0.2764	694.18
Diluted earnings per share (RMB/share)	2.1951	0.2764	694.18
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.2115	-0.2985	Not applicable
Weighted average return on equity (%)	27.37	3.93	Increase of 23.44 percentage points
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-2.64	-4.25	Increase of 1.61 percentage point

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

1. During the reporting period, upon the completion of disposal of 27.4214% of the equity in GSI, the Company will only hold 46.3018% of the equity interests in GSI and due to loss of its control over GSI, GSI will no longer be included in the consolidation scope of the Company since 1 March 2020. The Company's closing balance of balance sheet does not consolidate the data of GSI, and the amount for the period on income statement and cash flow statement only consolidated the data of GSI from January to February.
 - (1) Changes in the scope of consolidation have varying degrees of impact on certain items of the balance sheet, income statement and cash flow statement of the Company;
 - (2) Due to loss of its control over the subsidiary, it is subject to adjustments in accordance with relevant requirements on accounting treatment for loss of control over an investee as a result of partial disposal of equity investment under the Accounting Standards for Enterprises No.33-Consolidated Financial Statements. The Company recognised the investment income of RMB3.390 billion during the Reporting Period, of which: RMB1.04 billion is recognized for gain on disposal of equity, the remaining equity is re-measured at the fair value to recognise the investment income of RMB1.76 billion and the other equity changes of RMB590 million are carried forward to the profit or loss for the period. Specific accounting treatment is subject to the results as audited and confirmed by the accountants.
2. During the Reporting Period, the Company recorded an operating income of RMB4.293 billion, representing a decrease of 45.07% compared with the corresponding period of last year, mainly due to the factors such as the completion of disposal of the equity of GSI during the Reporting Period, the amount for the period of operating income only consolidated data of GSI from January to February, the persistent downturn in the shipbuilding market and the impact of the COVID-19 epidemic.
3. During the Reporting Period, the Company recorded a cumulative net profit attributable to the shareholders of the Company of RMB3.103 billion, representing an increase of 694.07% compared with the corresponding period of last year. Cumulative earnings per share amounted to RMB2.1951, representing an increase of 694.18% compared with the corresponding period of last year, mainly due to the impact of investment gains of RMB3.390 billion were recognised from the disposal of equity of GSI which led to an increase in the net gains or losses during the Reporting Period.
4. During the Reporting Period, the Company recorded a cumulative net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses of RMB-299 million, representing a decrease in loss by RMB123 million compared with the corresponding period of last year. Basic earnings per share after deduction of non-recurring gains and losses amounted to RMB-0.2115, representing an increase of RMB0.0870 compared with the corresponding period of last year, mainly due to the impact of the completion of disposal of the equity of GSI during the Reporting Period, the amount for the period of net gains or losses only consolidated data of GSI from January to February.
5. At the end of the Reporting Period, the Company's net assets attributable to the shareholders of the Company amounted to RMB13.404 billion, an increase of 32.08% as from the beginning of the year. Weighted average return on equity amounted to 27.37%, representing an increase of 23.44 percentage points compared with the corresponding period of last year, mainly due to the impact of the completion of disposal of the equity of GSI during the Reporting Period, the amount for the period of net gains or losses only consolidated data of GSI from January to February.

VII. EXTRAORDINARY ITEMS AND THEIR AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary items	Amount	Note (where applicable)
Gain or loss on disposal of non-current assets	-665,959.82	
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, except for those closely relevant to normal business of the company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standard	28,832,150.29	
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	1,760,005.87	
Gain or loss on exchange of non-monetary assets	-	
Gain or loss on entrusted investments or assets under management	2,293,150.68	
Provision for impairment on assets due to force majeure events, such as natural disasters	-	
Gain or loss on debt restructuring	-	
Corporate restructuring costs, such as employee redundancy pay and integration costs	-	
Gain or loss on transactions with obviously unfair transaction price for amount which exceeds fair value	-	
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control	-	
Gain or loss on other contingencies which are not related to the Company's normal operations	-	
Gain or loss on changes in fair value of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading and derivative financial liabilities, and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are closely related to the Company's normal operation	-41,730,221.33	
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment	20,000.00	
Gain or loss on entrusted loans	-	
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement	-	
Effect of one-off adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss	-	
Entrusted fee income from entrusted operations	-	
Other non-operating income and expenses apart from the aforesaid items	464,186.07	
Other gain or loss items meeting the definition of non-recurring gains or losses	3,389,119,929.67	Note
Effect of minority interests	12,236,269.74	
Effect of income tax	9,469,091.87	
Total	3,401,798,603.04	

Note: Mainly due to the investment gains of RMB3.39 billion was recognised from the disposal of equity of GSI during the Reporting Period and included in non-recurring gains or losses.

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

(i) Principal activities and products

COMEC is a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment being maritime defense equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. The Group's principal activities cover four major segments including defense equipment, shipbuilding, offshore engineering and non-ship business, with principal products of shipbuilding and marine products including military ships, special supporting ships, business ships and feeder container ships, offshore platform, as well as non-ship products including steel structures. During the Reporting Period, there were no changes to the Group's principal activities.

(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, there were no changes to the Group's business model.

(iii) Analysis of factors driving change in business revenue

During the Reporting Period, the Group recorded operating income of RMB4.293 billion, representing a decrease of 45.07% compared with the corresponding period of last year. Operating orders amounted to RMB2.219 billion (GSI exclusive), representing a decrease of 74.70% compared with the corresponding period of last year, mainly due to the completion of disposal of the equity of GSI during the Reporting Period, the persistent downturn in the shipbuilding market and the impact of the COVID-19 epidemic.

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

1. 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 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 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. 27.4214% of equity in GSI was registered under the name of CSSC Holdings. Currently, the Company only holds 46.3018% of equity in GSI, GSI will no longer be consolidated in the Company. 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 disposed 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.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn) regarding the Proposed Connected Transactions in relation to Major Assets Swap, the Proposed Connected Transaction in relation to Major Assets Swap (Revised Version), Report on Major Assets Disposal and Connected Transactions (Draft), Revised Report on Major Assets Disposal and Connected Transactions (Draft), Announcement on Completion of Assets Transfer in relation to Major Assets Disposal and Connected Transactions, and Announcement on Completion of Implementation of Major Assets Disposal and Connected Transactions.

2. The Company considered and approved the resolution and connected transactions in relation to the transfer of 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited at the 25th meeting of the ninth session of the Board and the second extraordinary general meeting of 2020 held on 9 March 2020 and 24 April 2020, respectively. The Company will transfer the 49% equity interests in Chengxi Yangzhou held by the Company to CSSC Holdings and CSSC Chengxi by way of agreement, with a total transaction amount of RMB963,831,800, of which, CSSC Holdings and CSSC Chengxi will acquire 24% and 25% equity interests in Chengxi Yangzhou, with transaction amount of RMB472,080,900 and RMB491,750,900, respectively. For details, please refer to announcement "Announcement in relation to the transfer 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited by COMEC and connected transactions" dated 9 March 2020 published by the Company 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). Pursuant to the above equity transfer agreement, CSSC Holdings and CSSC Chengxi had paid 51% of the total transaction consideration of the property right on 30 June 2020, and shall settle the remaining 49% of the total transaction price before 31 December 2020.

Of which: foreign assets 0 (Unit: Yuan Currency: RMB), accounting for 0% of total assets.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Group's core competitiveness covered four major areas, being product advantage, technological advantage, brand advantage and market advantage. During the Reporting Period, there were no material changes.

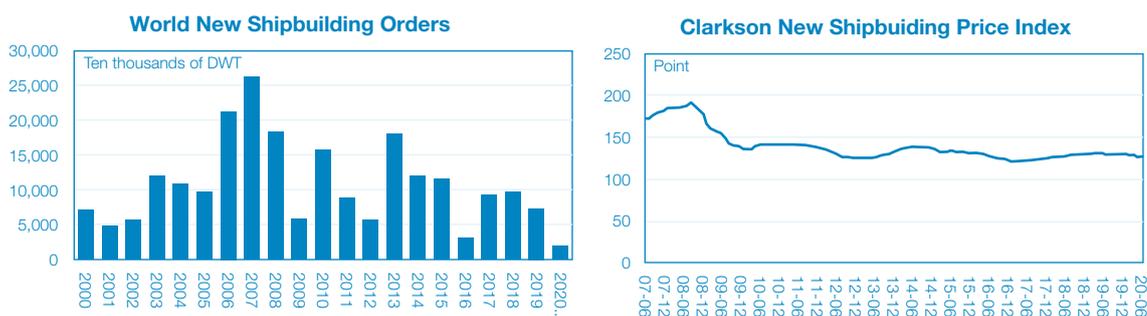
- (i) **Product advantage.** The Group is a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment being maritime defense equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. It is in leading 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 market and with products 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, deeply explore and meet customers' needs.
- (ii) **Technical advantage.** The Group has two 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, civilian ships and special ships such as dredgers and feeder containerships. 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 strengthened new green, energy saving and environment-friendly ships.
- (iii) **Brand advantage.** In terms of shipping business, the Group has an outstanding reputation. It is the main construction base for military ships, special engineering ship and maritime engineering of the PRC navy in southern China. It is also the largest and strongest production base for dredging engineering ships and feeder containerships in China. In terms of non-shipping business, the Group is committed to using large-scale processing and manufacturing capabilities to develop large-scale equipment and machinery manufacturing and has participated in the construction of major projects such as the Hong Kong-Zhuhai-Macao 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 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 new generation of large ocean rescue ships.

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

(i) Development of the shipbuilding market in the first half of 2020

The COVID-19 epidemic has caused certain impacts on the international shipping industry, the operation of the international industrial chain, supply chain, trade chain and capital chain have been hindered, and the global shipping trade has shrunk. In the first half of 2020, according to the statistics of Clarksons Research Corporation in the United Kingdom, new shipbuilding orders around the world only amounted to 17.58 million DTW and US\$13.8 billion, representing a decrease of 50% and 62% compared with the corresponding period of last year, which is the lowest level in the new century. The global production and operation capacity amounted to 46.14 million DWT, representing a decrease of 12% compared with the corresponding period of last year, which is the lowest level since the financial crisis in 2008. As of the end of June, the volume of global orders in hand only amounted to 163 million DWT, a decrease of 4.4% compared with the beginning of the year, which is a record low since 2004. In addition, since the orders on hand have shrunk, the market competition has further intensified. The price of new ships has been slightly decreased since the beginning of 2020. As of the end of June, the Clarkson new ship price index was 127 points, down 3 points from the beginning of the year.

The order volumes of the PRC shipbuilders are relatively positive. Taking advantage of the relatively active demands from domestic shipowners. In the first half of 2020, the PRC shipbuilders undertook a total of 11.58 million DWT orders, accounting for 66% of the global market share while the Japanese and Korean shipyards undertook 1.51 million DWT and 4.10 million DWT orders, respectively, accounting for 9% and 23% of the global market share, respectively.



(ii) Operation of the Group

During the Reporting Period, the Group secured new shipbuilding orders with contract value of RMB2,219 million (excluding GSI), representing a decrease of 74.70% compared with the corresponding period of last year; operating income of the Group prepared in accordance with the Accounting Standards for Business Enterprises amounted to RMB4,293 million, representing a decrease of 45.07% compared with the corresponding period of last year. Net profit attributable to the shareholders of the Company amounted to RMB3,103 million. Earnings per share were RMB2.1951, and earnings per share after deduction of non-recurring gains and losses were RMB-0.2115.

II. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

(i) Main business analysis

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

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	4,293,181,183.56	7,816,085,319.68	-45.07
Operating costs	4,061,243,529.52	7,626,860,800.81	-46.75
Selling expenses	23,242,577.85	8,547,839.97	171.91
Administrative expenses	259,745,214.38	374,142,028.48	-30.58
Finance cost	-75,593,784.39	86,228,563.48	-187.67
Research and development expense	251,764,193.06	226,390,380.65	11.21
Net cash flows from operating activities	-2,737,517,979.55	-3,200,477,314.96	Not applicable
Net cash flows from investing activities	-4,999,087,021.99	-1,369,802,592.40	Not applicable
Net cash flows from financing activities	291,627,450.31	894,637,628.77	-67.40

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Reason for change in operating income: mainly due to the completion of the disposal of the equity of GSI during the Reporting Period, the amount for the Period only consolidated the data of GSI from January to February, the persistent downturn in the shipbuilding market and the impact of the COVID-19 epidemic.
2. Reason for change in operating costs: mainly due to the completion of the disposal of the equity of GSI during the Reporting Period, the amount for the Period only consolidated the data of GSI from January to February, the persistent downturn in the shipbuilding market and the impact of the COVID-19 epidemic.
3. Reason for change in selling expenses: mainly due to the year-on-year decrease in compensation for the first set of insurance recognised during the Reporting Period.
4. Reason for change in administrative expenses: mainly due to the completion of disposal of the equity of GSI and the amount for the Period only consolidated the data of GSI from January to February.
5. Reason for change in finance cost: mainly due to combined effects of the completion of disposal of the equity of GSI, the amount for the Period only consolidated the data of GSI from January to February and the changes in exchange rates of Huangpu Wenchong which led to the decrease in net exchange loss during the Reporting Period.
6. Reason for change in research and development expense: mainly due to the increase in research and development expense by Huangpu Wenchong during the Reporting Period.
7. Reason for change in net cash flow from operating activities: mainly due to the rate of the progress of collection during the Reporting Period being outpaced by the progress of payment.
8. Reason for change in net cash flow from investing activities: mainly due to the completion of disposal of the equity of GSI, the cash balance at the end of the Period was reclassified to "Other cash payments relating to investing activities".
9. Reason for change in net cash flow from financing activities: mainly due to the decrease in net amount in financing during the Reporting Period.

2. Others

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

Item	Current Period	Corresponding period of last year	Change (%)	Reason for change
Taxes and surcharges	15,586,633.76	32,793,624.08	-52.47	Mainly due to the completion of the disposal of equity of GSI and the amount for the Period only consolidated the data of GSI from January to February during the Reporting Period.
Other income	21,351,992.29	5,517,547.40	286.98	Mainly due to the increase in government grants received for this item during the Reporting Period.
Investment income	3,373,579,240.59	-200,623,239.54	Not applicable	Mainly due the recognition of investment income during the disposal of equity of GSI during the Reporting Period.
Gain on change in fair value	-30,624,591.00	264,450,151.28	-111.58	Mainly due to the year-on-year increase in the unrealised loss on financial derivatives held as a result of exchange rate fluctuations during the Reporting Period.
Loss on impairment of credit (Loss is listed with "-")	4,685,877.27	-8,451,275.85	Not applicable	Mainly due to the year-on-year decrease in the provision for bad debts during the Reporting Period.
Loss on impairment of assets (Loss is listed with "-")	-168,731,612.95	-69,618,896.09	Not applicable	Mainly due to the year-on-year increase in provision for contract performance cost impairment of assets during the Reporting Period.
Gains from disposal of assets	-	-249,851.06	Not applicable	Mainly due to there was no gain and loss from disposal of assets during the Reporting Period.
Non-operating expenses	4,002,590.52	1,253,089,251.01	-99.68	Mainly due to Wenchong Dockyard recognised a net gain for phase I of the land relocation compensation of RMB1.248 billion in the corresponding period of last year.
Income tax expense	16,242,996.39	93,984,992.93	-82.72	Mainly due to the year-on-year decrease in the deferred income tax expenses during the Reporting Period.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

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

During the Reporting Period, upon the completion of disposal of 27.4214% of the equity in GSI, the Company will only hold 46.3018% of the equity interests in GSI and due to loss of its control over GSI, GSI will no longer be included in the consolidation scope of the Company. In view of the above-mentioned reality, it is subject to adjustments in accordance with relevant requirements on accounting treatment for loss of control over an investee as a result of partial disposal of equity investment under the Accounting Standards for Enterprises No.33-Consolidated Financial Statements. The Company recognised an investment income of RMB3.390 billion during the Reporting Period, of which: RMB1.04 billion is recognized for gain on disposal of equity, the remaining equity is re-measured at the fair value to recognise the investment income of RMB1.76 billion and the other equity changes of RMB590 million are carried forward to the profit or loss for the period. Specific accounting treatment is subject to the results as audited and confirmed by the accountants.

(iii) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuen Currency: RMB

Name of project	Amount at the end of current period	Proportion of total assets at the end of current period (%)	Amount at the end of last period	Proportion of total assets at the end of last period (%)	Change of amount at the end of current period compared with that at the end of previous period (%)	Description
Held-for-trading financial assets	4,180,994.91	0.01	47,015,330.33	0.10	-91.11	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Accounts receivable	1,297,442,024.44	3.48	3,514,084,587.92	7.39	-63.08	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Prepayments	1,731,478,929.23	4.65	3,632,961,295.56	7.64	-52.34	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other receivables	140,567,310.86	0.38	993,612,135.28	2.09	-85.85	The completion of the disposal of equity of GSI during the Reporting Period, GSI was excluded from the amount at the end of current period, and the receipt of relocation compensation by Wenchong Dockyard, a subsidiary, during the Reporting Period.
Inventories	3,542,248,384.76	9.51	5,531,246,793.46	11.63	-35.96	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Contract assets	5,060,551,287.22	13.59	7,516,302,519.33	15.80	-32.67	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Assets held for sale	641,647,147.54	1.72	-	-	Not applicable	At the end of the Reporting Period, the equity delivery procedures of the transfer in equity of Chengxi Yangzhou had not been completed, and the relevant long-term equity investment was classified into held for sale.
Non-current assets due within one year	-	-	400,000,000.00	0.84	-100.00	At the end of the Reporting Period, the balance of long-term entrusted wealth management products due within one year was zero.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

Name of project	Amount at the end of current period	Proportion of total assets at the end of current period (%)	Amount at the end of last period	Proportion of total assets at the end of last period (%)	Change of amount at the end of current period compared with that at the end of previous period (%)	Description
Other current assets	1,248,798,646.48	3.35	243,646,496.83	0.51	412.55	At the end of the Reporting Period, the balance of entrusted wealth increased by RMB720 million, and the balance of VAT tax retaining/credit increased by RMB178 million.
Long-term equity investments	4,820,918,817.28	12.95	740,036,766.87	1.56	551.44	The completion of the disposal of equity of GSI during the Reporting Period, and the remaining equity was measured at fair value and accounted for using the equity method, as well as the equity of Chengxi Yangzhou was classified into held for sales at the end of the Reporting Period.
Investments in other equity instruments	3,829,873,557.03	10.28	71,478,588.58	0.15	5,258.07	The completion of the disposal of equity of GSI during the Reporting Period, and the counterparty used the issuance of shares as the transaction consideration and hence the increase in the investments in equity instruments.
Investment properties	-	-	21,308,295.44	0.04	-100.00	The completion of the disposal of equity of GSI during the Reporting Period, and the balance of investment properties at the end of the Reporting Period was zero.
Fixed assets	3,870,855,033.74	10.39	11,862,555,258.81	24.52	-66.81	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Intangible assets	758,839,573.32	2.04	2,053,979,115.18	4.32	-63.06	The completion of the disposal of equity of GSI during the Reporting Period, and GSI is excluded from the amount at the end of current period.
Goodwill	-	-	144,231,195.67	0.30	-100.00	The completion of the disposal of equity of GSI during the Reporting Period, and the balance of goodwill at the end of the Reporting Period was zero.
Long-term prepaid expenses	5,905,421.04	0.02	83,338,711.86	0.18	-92.91	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other non-current assets	77,982,795.52	0.21	26,470,552.78	0.06	194.60	At the end of the Reporting Period, the balance of non-current prepayment increased.
Short-term borrowings	2,460,355,881.93	6.61	7,524,383,875.11	15.82	-67.30	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Financial liabilities held-for-trading	109,244,763.92	0.29	202,774,080.82	0.43	-46.12	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Notes payable	941,011,081.06	2.53	1,850,172,981.45	3.89	-49.14	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Accounts payable	4,569,667,423.85	12.27	8,263,699,493.42	17.38	-44.70	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

Name of project	Amount at the end of current period	Proportion of total assets at the end of current period (%)	Amount at the end of last period	Proportion of total assets at the end of last period (%)	Change of amount at the end of current period compared with that at the end of previous period (%)	Description
Advances from customers	491,554,218.00	1.32	-	-	Not applicable	At the end of the Reporting Period, the balance of equity transfer funds received in advance from Chengxi Yangzhou was RMB492 million.
Taxes payable	15,951,559.69	0.04	75,307,785.25	0.16	-78.82	The completion of the disposal of equity of GSI during the Reporting Period, GSI was excluded from the amount at the end of current period, and the balance of income tax payables at the end of the Reporting Period decreased.
Other payables	156,910,922.99	0.42	284,772,011.61	0.60	-44.90	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Non-current liabilities due within one year	2,218,603,513.24	5.96	1,489,900,000.00	3.13	48.91	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other current liabilities	162,588,988.49	0.44	233,992,036.02	0.49	-30.52	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Long-term borrowings	3,053,544,337.74	8.20	4,721,457,000.00	9.93	-35.33	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Estimated liabilities	249,931,921.53	0.67	685,301,841.13	1.44	-63.53	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Deferred income	156,713,952.31	0.42	73,859,885.16	0.16	112.18	At the end of the Reporting Period, the balance of government subsidies used to compensate related costs or losses in subsequent periods increased.
Deferred tax liabilities	241,531,191.44	0.65	6,949,522.36	0.01	3,375.51	During the Reporting Period, changes in fair value of investment in other equity instruments were recognised an increase in deferred tax liabilities.
Other comprehensive income	662,264,282.21	1.78	-38,046,780.32	-0.08	Not applicable	During the Reporting Period, the net after-tax changes in fair value of investment in other equity instruments increased.
Special reserve	-	-	1,224,467.93	0.00	-100.00	At the end of the Reporting Period, the balance of the provision on work safety fees was zero.
Undistributed profit	1,494,085,803.63	4.01	-1,762,952,145.45	-3.71	Not applicable	At the end of the Reporting Period, the net gains or losses increased.
Minority interests	3,330,014,685.33	8.94	5,017,606,971.93	10.55	-33.63	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.

2. Major restricted assets at the end of the Reporting Period

As at the end of the Reporting Period, the Group had bank deposits pledged to secure borrowings/letters of guarantees/letters of credit/bank acceptance notes/foreign exchange forward contracts with maturity of over 3 months and interest receivable reclassification amounting to RMB3,378,553,215.11 in total. The use rights restriction will be lifted after the completion of the contract(s).

(iv) Analysis of investments

1. General analysis of external equity investments

The Company is an investment holding company. For external equity investments, please refer to 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 amounted to RMB4,820,918,800, representing an increase of 539.64% from RMB753,695,000 as at the beginning of the year, mainly due to the combined effect of the disposal of equity of GSI with loss of controlling interest during the Reporting Period, and the remaining equity was measured at fair value and accounted for using the equity method, as well as the equity delivery procedures of the transfer in equity of Chengxi Yangzhou had not been completed at the end of the Reporting Period, and the relevant long-term equity investment was classified into held for sale.

(1) Material equity investments

During the Reporting Period, the Company had no material external equity investments.

(2) Material non-equity investments

During the Reporting Period, the Company had no material external non-equity investments.

(3) Financial assets measured at fair value

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the period
Financial assets held-for-trading	48,785,784.80	4,180,994.91	-44,604,789.89	-41,730,221.33
Financial liabilities held-for-trading	-221,737,672.75	-109,244,763.92	112,492,908.83	
Investments in other equity instruments	71,248,734.49	3,829,873,557.03	3,758,624,822.54	12,500.00
Total	-101,703,153.46	3,724,809,788.02	3,826,512,941.48	-41,717,721.33

① 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 trading contracts (forward exchange settlement), foreign exchange swap and foreign trade exchange option portfolios. As at the end of the Reporting Period, the Group had a total of 85 outstanding forward settlement USD foreign exchange contracts with total amount of US\$461.3 million and latest settlement date of 24 March 2023, and recognised profit or loss on change in fair value of RMB-54,183,400 as at the end of the period; the Group had a total of 43 outstanding options with total amount of US\$180 million and latest settlement date of 20 April 2022, and recognised profit or loss on change of fair value of RMB-50,880,300 as at the end of the period.

② As at the end of the Reporting Period, the book cost of investment in other equity instruments was RMB2,867,353,200, and their fair value was RMB3,829,873,600, which had an impact of RMB12,500 on the profit for the current period.

As at the end of the Reporting Period, the impact of the financial assets measured at fair value held by the Group on profit for the Reporting Period amounted to RMB-41,717,700.

(v) Significant assets and equity sale

1. 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 the Company held on 4 April 2019, the 16th meeting of the ninth session of the Board of the Company held on 7 August 2019, the 19th meeting of the ninth session of the Board of the Company 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 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 of 31 March 2020, the implementation of the significant asset disposal and connected transaction of the Company was completed. 27.4214% of equity interests in GSI was registered under the name of CSSC Holdings. Currently, the Company only holds 46.3018% of equity in GSI, GSI will no longer be consolidated in the Company. 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 disposed 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.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn) regarding the Proposed Connected Transactions in relation to Major Assets Swap, the Proposed Connected Transaction in relation to Major Assets Swap (Revised Version), Report on Major Assets Disposal and Connected Transactions (Draft), Revised Report on Major Assets Disposal and Connected Transactions (Draft), Announcement on Completion of Assets Transfer in relation to Major Assets Disposal and Connected Transactions, and Announcement on Completion of Implementation of Major Assets Disposal and Connected Transactions.

2. The Company considered and approved the resolution and connected transactions in relation to the transfer of 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited at the 25th meeting of the ninth session of the Board and the second extraordinary general meeting of 2020 held on 9 March 2020 and 24 April 2020, respectively. The Company will transfer the 49% equity interests in Chengxi Yangzhou held by the Company to CSSC Holdings and CSSC Chengxi by way of agreement, with a total transaction amount of RMB963,831,800, of which, CSSC Holdings and CSSC Chengxi will acquire 24% and 25% equity interests in Chengxi Yangzhou, with transaction amount of RMB472,080,900 and RMB491,750,900, respectively. For details, please refer to announcement "Announcement in relation to the transfer 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited by COMEC and connected transactions" dated 9 March 2020 published by the Company 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). Pursuant to the above equity transfer agreement, CSSC Holdings and CSSC Chengxi had paid 51% of the total transaction consideration of the property right on 30 June 2020, and shall settle the remaining 49% of the total transaction price before 31 December 2020.

SECTION IV MANAGEMENT'S DISCUSSION AND ANALYSIS

(vi) Analysis of major subsidiaries and associates

1. Analysis of direct and indirect subsidiaries and associates

Unit: RMB0'000

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the period
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	361,918	54.5371	2,260,069.61	643,136.56	-8,488.96
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	142,018	100	542,761.47	215,405.58	-11,051.16
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	94,947.69	-24,165.50	-4,908.37
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	11,000	100	145,088.07	12,796.75	56.30
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	40.5	893.20	514.06	42.62
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	1,060.26	447.25	42.13
CSSC Industrial Internet Co., Ltd.	Information transmission, software and information technology services	5,000	100	2,656.84	1,075.90	19.43
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	758.35	648.94	15.80
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	1,620.77	413.45	35.65
Wah Loong International Marine Limited	Ship leasing	HK\$1,000,000	99	47,700.47	4,146.34	964.94
Wah Shun International Marine Limited	Ship leasing	HK\$1,000,000	99	16,591.85	555.03	227.41
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	1,800	40	198.49	151.85	-2.38

2. Subsidiary with net profit or investee company with investment income accounting for over 10% of net profit of the Company

Unit: RMB0'000

Name of entity	Income from principal business	Profit from principal business	Net profit
Guangzhou Shipyard International Company Limited	339,756.20	-23,256.02	-20,803.97

Description:

During the reporting period, upon the completion of disposal of 27.4214% of the equity in GSI, the company will only hold 46.3018% of the equity in GSI and due to loss of its control over GSI, GSI will no longer be included in the consolidation scope of the Company. In view of the above-mentioned reality, it is subject to adjustments in accordance with relevant requirements on accounting treatment for loss of control over an investee as a result of partial disposal of equity investment under the Accounting Standards for Enterprises No.33-Consolidated Financial Statements. The Company recognised the investment income of RMB3.390 billion during the Reporting Period, of which: RMB1.04 billion is recognized for gain on disposal of equity, the remaining equity is re-measured at the fair value to recognise the investment income of RMB1.76 billion and the other equity changes of 590 million yuan are carried forward to the profit or loss for the period. Specific accounting treatment is subject to the results as audited and confirmed by the accountants.

III. OTHER DISCLOSURE

(I) Potential risks

(i) Financial risks

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

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

2. Customer risk

As a result of global economy and shipping trade as well as the impact from the COVID-19 epidemic, certain ship owners may experience difficulties in financing and tight funds, resulting in default in shipbuilding payment, deferred recognition of delivery and amendment of contracts, which subject the Company's orders on hand to default risk.

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

3. Cost risk

In view of the development of the shipbuilding and shipping market, firstly, with the gradual recovery of the domestic economy, the price of bulk raw materials have shown an upward trend; secondly, the external market environment is sluggish due to the combine effect of the epidemic, highlighted the difficulty of receiving orders, the quantity of goods is insufficient, and the cost of products under construction has increased; thirdly, as a result of the trade frictions between China and the United States, the increase in tariffs might increase the cost burden of the Group's products exported to the United States.

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

4. Production and management risk

Affected by various factors such as the COVID-19 epidemic, delays in the supply of some materials and equipment as well as long processing cycles for batch reporting of issues, there are risks that the production nodes of products under construction will be delayed, which may lead to delays in delivery of ships.

The Group will implement key monitoring of key products, conduct special coordinated responses based on supply information and product progress, strengthen the production and management level and lower the production and management risk to a controllable range.

SECTION V SIGNIFICANT EVENTS

I. INFORMATION ON GENERAL MEETINGS

No. of session	Date of meeting	Index for search on websites designated for publishing resolutions	Date of disclosure
First extraordinary general meeting of 2020	26 February 2020	www.sse.com.cn www.hkexnews.hk comec.cssc.net.cn	27 February 2020
Second extraordinary general meeting of 2020	24 April 2020	www.sse.com.cn www.hkexnews.hk comec.cssc.net.cn	25 April 2020
Annual general meeting of 2019	12 June 2020	www.sse.com.cn www.hkexnews.hk comec.cssc.net.cn	13 June 2020

Description of general meetings

1. First extraordinary general meeting of 2020: at the meeting, the resolution in relation to the signing the 2020-2022 Connected Continuing Transaction Framework Agreement between the Company and China State Shipbuilding Corporation Limited was considered.
2. Second extraordinary general meeting of 2020: at the meeting, the resolution in relation to the transfer 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited and connected transactions was considered.
3. Annual general meeting of 2019: at the meeting, 7 resolutions including the report of the Board for 2019, the report of the Supervisory Committee for 2019, the annual report for 2019 (including the financial statements for 2019), the profit distribution proposal for 2019 and the resolution on the proposed provision of guarantee by the Company and its subsidiaries for 2020 and the amount; the resolution in relation to the purchase of liability insurance for the Directors, supervisors and senior management; the resolution in relation to the appointment of the auditors of the Company for financial reports for 2020 were considered; and the duty performance report of Independent Directors for 2019 was listened to.

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

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

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

III. FULFILLMENT OF UNDERTAKINGS

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

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner
Undertaking relating to the material asset reorganisation	Solving the 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 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
	Other	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	".....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: 1. Step 1: China State Shipbuilding proposed to acquire 100% equity interests 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 interests of Waigaoqiao Shipbuilding and 21.4598% equity interests 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 interests of GSI and 30.9836% equity interests of Haungpu 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 interests of GSI held by COMEC through share offering. (China Shipbuilding Issues Shares to Acquire Assets); 2. Step 2: CSSC, with 100% equity interests in CSSC Marine Power, 51% equity interests in CSSC Marine Power Institute and 15 equity interests in CSSC Mitsui, and China Shipbuilding, with 100% equity interests in Eastern Shanghai Heavy Machinery, jointed established CSSC Marine Power Group ("Establishment of Power Platform"); 3. Step 3: COMEC conducted asset replacement by virtue of 54.5371% equity interests in Huangpu Wenchong, 46.3018% equity interests in GSI and shareholding of CSSC Marine Power Group held by China State Shipbuilding Corporation and CSSC ("Asset Swaps"). The three steps of the plan are not inter-conditional with each other. CSSC has made the following commitments on the Adjusted Plan: 1. 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. 2. 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	1. Upon completion of the restructuring, CSSC and enterprises under control of CSSC and listed companies and subordinates will minimize and avoid related party transactions. 2. 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. 3. 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. 4. 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	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.	Made on 7 August 2019	No	Yes

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Description of appointment and dismissal of accounting firms

- (i) It was considered and passed at the annual general meeting of 2019 of the Company that, WUYIGE was re-appointed as the Company's 2020 financial report auditor. The audit remuneration is RMB1.21 million (inclusive of tax). As of 31 December 2019, WUYIGE provided audit services for the Company for 1 year. The financial statements in the Company's annual report 2020 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 28th meeting of the ninth session of the Board that the Company re-appointed WUYIGE as the Company's internal control auditor for 2020. The audit remuneration is RMB300,000 (inclusive of tax). WUYIGE will audit the effectiveness of the Company's internal control and issue an audit report.

V. MATERIAL LITIGATION AND ARBITRATION

There was no material litigation or arbitration of the Company during the Reporting Period.

VI. MATERIAL CONNECTED TRANSACTIONS

(i) Connected transactions in the ordinary course of business

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

Connected transactions related to daily operation for 2020 (from January to June)

Unit: RMB'000

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 COMEC to the CSSC					
1.1	Provision of shipping products, electrical and mechanical engineering equipment and metallic materials	481,247.00	54,389.36	12.98	Market price
1.2	Supply of utilities	192.00	41.70	17.86	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	Environmental protection business including leasing, labour supply, shipping products and land restoration, and other technical services related to engineering	15,520.00	373.36	3.68	On terms no less favourable to the Group than terms available from independent third parties
2 Products and services provided by CSSC to the COMEC					
2.1	Provision of equipment for use on ships, electrical and mechanical engineering equipment, accessories and materials	573,949.00	241,458.70	72.57	Market price or on terms no higher to the Group than terms available from independent third parties
2.2	Leasing, labour supply, technical services, etc.	32,784.00	27,337.44	20.94	On terms no less favourable to the Group than terms available from independent third parties or cost plus a 10% management fee or market price
3 Financial services provided by CSSC to COMEC					
3.1	Deposits (maximum limit)	623,500.00	597,487.37	44.24	Appropriate rise of benchmark deposit interest rate set by the People's Bank of China
3.2	Deposits (interest)	4,055.00	2,866.80	21.59	People's Bank of China
3.3	Loans (maximum limit)	502,900.00	89,990.00	6.31	No more than benchmark loan interest rate set by the People's Bank of China; on rate no less favourable to the Group than the terms available from independent third parties
3.4	Loans (interest)	10,586.00	551.58	5.90	People's Bank of China; on rate no less favourable to the Group than the terms available from independent third parties
3.5	Others and bank facilities (maximum limit)	657,000.00	222,450.32	44.22	On terms no less favourable to the Group than terms available from independent third parties
3.6	Others and bank facilities (handling fee)	233.00	68.59	11.10	On terms no less favourable to the Group than terms available from independent third parties
3.7	Forward exchange settlement (maximum limit)	474,056.00	347,565.18	69.10	Handling fee set by the People's Bank of China; On terms no less favourable to the Group than terms available from independent third parties
3.8	Entrusted assets management services (maximum limit)	200,000.00	122,000.00	100.00	Based on market price, on charging terms no less favourable to the Group than terms available from independent third parties
3.9	Entrusted assets management services (interest)	4,455.00	229.32	100.00	Based on market price, on charging terms no less favourable to the Group than terms available from independent third parties
4 Guarantee provided by CSSC to COMEC					
4.3	Maximum guarantee amount	160,000.00	1,091.91	100.00	CSSC shall not charge any guarantee fees from COMEC, related terms shall not be less favourable to the terms available from independent third parties
4.4	Guarantee fee	-	-	-	Not applicable
5 Ship sales agency services provided by CSSC to COMEC					
5.1	Ship sales agency	4,613.00	999.15	20.70	Follow the worldwide industry practice and will not exceed 1.5% of the contract price and be paid in according to the shipbuilding progress of the vessel in question
6 Guarantee provided by CSSC to COMEC					
6.1	Materials purchase agency	374.00	4.14	100.00	Follow the worldwide industry practice and 1-2% of the contract price in general

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

1. 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 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 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 of 31 March 2020, the implementation of the significant asset disposal and connected transaction of the Company was completed. 27.4214% of equity in GSI was registered under the name of CSSC Holdings. Currently, the Company only holds 46.3018% of equity in GSI, GSI will no longer be consolidated in the Company. 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 disposed 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.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn) regarding the Proposed Connected Transactions in relation to Major Assets Swap, the Proposed Connected Transaction in relation to Major Assets Swap (Revised Version), Report on Major Assets Disposal and Connected Transactions (Draft), Revised Report on Major Assets Disposal and Connected Transactions (Draft), Announcement on Completion of Assets Transfer in relation to Major Assets Disposal and Connected Transactions, and Announcement on Completion of Implementation of Major Assets Disposal and Connected Transactions.

2. The Company considered and approved the resolution in relation to the transfer of 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited and connected transactions at the 25th meeting of the ninth session of the Board and the second extraordinary general meeting of 2020 held on 9 March 2020 and 24 April 2020, respectively. The Company will transfer the 49% equity interests in Chengxi Yangzhou held by the Company to CSSC Holdings and CSSC Chengxi by way of agreement, with a total transaction amount of RMB963,831,800, of which, CSSC Holdings and CSSC Chengxi will acquire 24% and 25% equity interests in Chengxi Yangzhou, with transaction amount of RMB472,080,900 and RMB491,750,900, respectively. For details, please refer to announcement "Announcement in relation to the transfer 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited by COMEC and connected transactions" dated 9 March 2020 published by the Company 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). Pursuant to the above equity transfer agreement, CSSC Holdings and CSSC Chengxi had paid 51% of the total transaction consideration of the property right on 30 June 2020, and shall settle the remaining 49% of the total transaction price before 31 December 2020.

VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Trust, contracting and lease matters

Lease

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
Wenchong Industrial	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.

Wenchong Industrial 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.

(ii) Guarantee

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and the Company	Guaranteed entity	Amount of guarantee	External guarantees by the Company (excluding guarantees for its subsidiaries)									Relationship	
				Date of guarantee (date of signing of agreement)	Date of Commencement of Guarantees	Date of expiry of Guarantees	Type of guarantee	Whether fully executed	Whether guarantee is overdue	Overdue amount	Existence of reverse guarantee	Whether provided for by related party		
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantees during the Reporting Period (excluding guarantees provided for its subsidiaries)													-	
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)													-	
Guarantees provided by the Company for its subsidiaries														
Total amount of guarantees provided for its subsidiaries during the Reporting Period													1,107,981,052.50	
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period (B)													702,514,262.75	
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)														
Total amount of guarantees (A+B)													702,514,262.75	
Total amount of guarantees as a percentage of the Company's net assets (%)													4.20	
Including:														
Amount of guarantees provided for shareholders, actual controllers and related parties (C)													-	
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio over 70% (D)													702,514,262.75	
Total amount of guarantees in excess of 50% of net assets (E)													-	
Sum of the above three guarantees (C+D+E)													702,514,262.75	
Description of outstanding guarantees which may incur joint and several liability													-	
Description of outstanding guarantees which may incur joint and several liability													-	

During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB703 million, all of which are guarantees provided by Huangpu Wenchong, a subsidiary controlled by the Company, to its wholly-owned subsidiaries. The guarantee items are comprehensive credit guarantee and working capital loan guarantee, etc. The cap limit set out in the framework for the guarantees as approved at the general meeting has not been exceeded.

VIII. POVERTY ALLEVIATION MEASURES OF THE COMPANY

1. Targeted poverty alleviation plan

In order to implement the strategic arrangements of the central government for targeted poverty alleviation, and under the leadership of governments and management at all levels and higher levels, the Company actively carried out targeted poverty alleviation to improve the self development ability of receipts of aid and get out of poverty as soon as practicable. In 2020, the Company plans to provide RMB180,000 of assistance funds to He'an Village, He'an Town, Xuwen County for the purpose of targeted poverty alleviation. It plans to purchase Heqing agricultural products from Heqing in batches with amount of RMB1.51 million.

2. Overview of targeted poverty alleviation during the Reporting Period

During the Reporting Period, the Company provided RMB180,000 of assistance funds to He'an Village, He'an Town, Xuwen County for the purpose of targeted poverty alleviation. At the same time, the Company has selected two cadres to participate in the implementation of targeted poverty alleviation in He'an Village, Xuwen County.

SECTION V SIGNIFICANT EVENTS

3. Results of Targeted Poverty Alleviation

Unit: 0,000 Currency: RMB

Indicator	Number and relevant information
I. General information	
Including: 1. Fund	18
2. Materials	-
3. Number of records established for poor people (person)	140
II. Investment by project	
1. Other projects	
Including: 1.1. Quantity of projects	-
1.2 Invested amounts	18
1.3 Number of records established for poor people (person)	140
1.4 Description of other projects	-

4. Staged progress in fulfilling the social responsibility of targeted poverty alleviation

During the Reporting Period, the Company provided RMB180,000 of assistance funds to He'an Village, He'an Town, Xuwen County for the purpose of targeted poverty alleviation. At the same time, two cadres were selected to participate in the implementation of targeted poverty alleviation in He'an Village, He'an Town, Xuwen County.

5. Subsequent targeted poverty alleviation plan

The Group will deploy and arrange poverty alleviation work. The purchase of agricultural products in Heqing County will be carried out in the 2nd half of the year. The support funds are estimated to be RMB1.51 million. At the same time, we will accomplish the job in poverty alleviation, education assistance, labor training, counterpart help and other support for the agriculture and forestry industry.

IX. ENVIRONMENTAL INFORMATION

(i) Description of the environment protection of the Company and its major subsidiaries falling to be the key waste water emission entities as announced by the environmental protection authorities of the PRC

According to the Circular on the List of the Key Pollution Discharge Entities in Guangzhou for 2020 (Sui Huan [2020] No. 24) issued by Guangzhou Environmental Protection Bureau in April 2020, three units of the Group, namely Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering, were included as key pollution discharge entities in Guangzhou for 2020.

1. Information on pollutant discharge

(1) Huangpu Wenchong

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

1) Waste gas

The waste gas generated by Huangpu Wenchong mainly represents dust waste gas and volatile organic waste gas during the production process. It has established waste gas treatment devices to ensure that the emission concentration of the air pollutant emitted meets the level II, period II standard for type II control region set out in the Emission Limits of Air Pollutants of Guangdong Province. During the Reporting Period, there existed no waste gas emissions of Huangpu Wenchong that exceeded the standard.

2) Waste water

The waste water generated by Huangpu Wenchong includes production waste water and domestic 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. The water pollutant emission concentration of which meets the level III, period II standard set out in the Emission Limits of Water Pollutants (DB44/26-2001). During the Reporting Period, Huangpu Wenchong discharged 62,240 tonnes of industrial waste water, and met the emission standard.

3) Solid waste (including hazardous waste)

Solid waste produced by Huangpu Wenchong is mainly divided into three types, namely 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.

During the Reporting Period, Huangpu Wenchong produced a total of 2,893 tonnes of general industrial solid waste and 222 tonnes of hazardous waste, which met the emission standard.

4) Noise

The noise generated by Huangpu Wenchong is mainly production noise. Noise emission detection at boundary has been conducted on a regular basis to ensure that the noise at boundary meets the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary, and there did not exist any situation that exceeded the standard during the Reporting Period.

(2) *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 meets 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 137,048 tonnes of waste water.

3) Solid waste (including hazardous waste)

The solid waste generated by Wenchong Shipyard includes hazardous waste, general industrial solid waste and domestic waste. Qualified entities are appointed to dispose of hazardous waste generated by it. During the Reporting Period, Wenchong Shipyard disposed of 2,679 tonnes of general industrial waste and 311 tonnes of hazardous waste.

4) Noise

The noise generated by Wenchong Shipyard represents mainly production noise and mechanical noise. The noise at boundary meets the level IV standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary (GB12348-2008), and there did not exist any situation that exceeded the standard during the Reporting Period.

(3) *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 exceeded 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 125,248 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 did not exist any situation that exceeded the standard.

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 2,038 tonnes of industrial waste and 218 tonnes of hazardous waste, which met the emission standard.

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. There did not exist any situation that exceeded the standard.

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

(1) *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 oily waste water generated. Waste water from the canteen in the plant area is treated through the grease trap and residue interceptor before discharge. All production and domestic waste water 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.

During the Reporting Period, through periodic repair and maintenance work of its equipment and facilities, the equipment and facilities of the company were in good operating condition.

(2) *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. 1 set of online VOC (Volatile Organic Compound) 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. During the Reporting Period, Wenchong Shipyard had completed installation, debugging and self-inspection of 1 set waste oil water treatment device, and is applying for an environmental protection record.

(3) *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) *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, Huangpu Wenchong could achieve stable discharge of pollutants and control the total discharge in the daily production and operation.

(2) *Wenchong Shipyard*

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

(3) *Huangchuan Ocean Engineering*

Acceptance approvals had been obtained 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. 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 Longxue Gas Cylinder Transfer Station (Sui Nan Qu Huan Shui Guan Ying (2017) No. 93) was obtained, and the inspection and acceptance was completed in April 2019. A reply to the investment project was obtained from Nansha Environmental Protection Bureau (Sui Nan Kai Huan Guan Ying [2014] No. 190) in 2014, and the project is currently under construction. Huangchuan Ocean Engineering has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

4. Emergency plans for environmental contingencies(1) *Huangpu Wenchong*

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

In order to strengthen emergency management, Huangpu Wenchong formulated an annual emergency and drill plan to conduct regular drills, carry out knowledge training and allocate emergency supplies. During the Reporting Period, Huangpu Wenchong had completed drills of emergency plans for diluent leakage and radiation accidents of the chemical oil storage depot.

(2) *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, and valid until January 2022. The results of this work are mainly presented as the Emergency Plan for Environmental Contingencies, the Risk Assessment Report for Environmental Contingencies and the Emergency Resources Investigation Report. During the Reporting Period, Wenchong Shipyard had completed two environment emergency drills, including disposal drills of hazardous chemical leakage and hazardous waste leakage.

SECTION V SIGNIFICANT EVENTS

(3) *Huangchuan Ocean Engineering*

The Emergency Plan for Environmental Contingencies developed by Huangchuan Ocean Engineering passed expert review and was filed with Nansha Environmental Protection Bureau in 2020 to ensure the applicability and effectiveness of the above emergency plans.

5. **Environment self-monitoring solutions**

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

X. NOTES ON OTHER SIGNIFICANT EVENTS

(i) **Changes in accounting policies, accounting estimates and accounting methods compared to last accounting period, and the reasons and impacts thereof**

On 29 February 2020, the Company loss its control over GSI due to disposal of certain equity. In accordance with the requirements of the Accounting Standards for Business Enterprises No. 42 – Held-for-trading Non-current Assets, Disposal Groups and Discontinued Operation, the Company will report the relevant information of GSI such as the income statement presented as continuing operations in the previous period as the Group's discontinued operations in the previous period. Specific presentation and adjustments of the consolidated statement are as follows:

Unit: RMB

Item	After adjustment	Before adjustment	Adjustment amount
Net profit	609,624,862.86	609,624,862.86	0.00
Including: Net profit from continuing operations	1,024,868,483.89	609,624,862.86	415,243,621.03
Net profit from discontinued operations	-415,243,621.03		-415,243,621.03

The Company may implement significant influence over GSI after disposing certain equity by changing to adopt equity method for accounting and adopt equity method for accounting when deemed to be acquired, retrospective adjustment was conducted on the parent company's balance sheet. Details are as follows:

Unit: RMB

Item	After adjustment	Before adjustment	Adjustment amount
Total assets	10,760,209,611.04	10,152,717,191.21	607,492,419.83
Including: Long-term equity investments	8,481,278,673.82	7,873,786,253.99	607,492,419.83
Total liabilities	1,397,525,032.12	1,397,525,032.12	0.00
Total owners' equity	9,362,684,578.92	8,755,192,159.09	607,492,419.83
Including: Capital reserve	8,335,892,000.49	6,147,927,729.10	2,187,964,271.39
Other comprehensive income	-1,891,574.80		-1,891,574.80
Undistributed profit	-857,504,113.92	721,076,162.84	-1,578,580,276.76

(ii) Others

CORPORATE GOVERNANCE

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

1. Corporate Governance

The Company keeps improving its corporate governance structure in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations issued by the China Securities Regulatory Commission and the requirements of the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. To date, the Company's governance had no material difference from the Company Law and relevant regulations of the China Securities Regulatory Commission. Saved as disclosed below, during the six months ended 30 June 2020, the Company has applied the codes set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has complied with all the code provisions, except that for the purpose of Code Provision A.6.7 of the CG Code, Mr. Chen Zhongqian, Mr. Sheng Jigang, Mr Xiang Huiming and Mr. Chen Ji, being executive Directors, Mr. Shi Jun, being non-executive Director, and Mr. Min Weiguo and Mr. Liu Renhuai, being independent non-executive Directors, were unable to attend the first extraordinary general meeting of 2020 of the Company held on 26 February 2020 for work reason. Mr. Chen Zhongqian, Mr. Sheng Jigang and Mr Xiang Huiming being executive Directors, Mr. Shi Jun, being non-executive Director, and Mr. Min Weiguo and Mr. Liu Renhuai, being independent non-executive Directors, were unable to attend the second extraordinary general meeting of 2020 of the Company held on 24 April 2020 for work reason. Mr. Chen Zhongqian, Mr Xiang Huiming and Mr. Chen Ji, being executive Directors, Mr. Shi Jun, being non-executive Director, and Mr. Min Weiguo and Mr. Liu Renhuai, being independent non-executive Directors, were unable to attend the annual general meeting of 2019 of the Company held on 12 June 2020 for work reason.

2. Securities Transactions by Directors

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

3. Meetings of the Board

Up to the date of this report, a total of 4 meetings (including 3 meetings held in writing) were held by the Board. All Directors attended these meetings (including attendance by proxy). In addition, the Audit Committee held 4 meetings to consider issues including the annual report of the Company for the year 2019, the report on the internal control review, the first quarterly report for the year 2020, etc.; the Emolument and Examination Committee held 1 meeting to consider the resolutions on the remuneration of the Directors, Supervisors and senior management of the Company for the year 2019.

4. Purchase, sale or redemption of securities of the Company

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

5. Public Float

Based on the information that was publicly available and to the best belief and knowledge of the Directors, the Company had maintained the prescribed public float throughout the six months ended 30 June 2020 and up to the date of this report as required under the Listing Rules.

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(i) Statement of changes in shares

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

II. SHAREHOLDERS

(i) Total number of shareholders:

Total number of ordinary shareholders at the end of the Reporting Period 73,438
 Total number of shareholders of preference shares with restored voting right at the end of the Reporting Period –

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

Unit: Share

Name of shareholder (full name)	Change during the Reporting Period	Shareholding of top ten shareholders		Number of shares held subject to selling restriction	Pledged or locked up		Nature of shareholder
		Number of shares held at the end of the period	%		Share status	Number	
HKSCC Nominees Limited	-274,600	588,654,875	41.65	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
Xie Chuanrong	0	7,022,413	0.50	0	None	0	Domestic natural person
Yangzhou Kejin Shipyard Co., Ltd.	0	6,500,000	0.46	0	Pledged	6,500,000	Domestic non-state-owned legal person
Xi'an Investment Holding Co., Ltd.	0	5,291,159	0.37	0	None	0	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	Unknown
China Merchants Bank Co., Ltd.- Boshi Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund	4,640,778	4,640,778	0.33	0	None	0	Unknown
China Construction Bank Corporation-Fullgoal China Securities Military Index Grading Securities Investment Fund	-2,049,100	4,622,858	0.33	0	None	0	Unknown
Hong Kong Exchanges and Clearing Limited	965,678	3,269,554	0.23	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	Name of shareholder held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	588,654,875	Overseas listed foreign shares	588,654,875
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
Xie Chuanrong	7,022,413	Ordinary shares denominated in RMB	7,022,413
Yangzhou Kejin Shipyard Co., Ltd.	6,500,000	Ordinary shares denominated in RMB	6,500,000
Xi'an Investment Holding Co., Ltd.	5,291,159	Ordinary shares denominated in RMB	5,291,159
Golden Eagle Fund – ICBC – Golden Eagle Suitong No. 9 Asset Management Plan	5,164,479	Ordinary shares denominated in RMB	5,164,479
China Merchants Bank Co., Ltd.-Boshi Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund	4,640,778	Ordinary shares denominated in RMB	4,640,778
China Construction Bank Corporation-Fullgoal China Securities Military Index Grading Securities Investment Fund	4,622,858	Ordinary shares denominated in RMB	4,622,858
Hong Kong Exchanges and Clearing Limited	3,269,554	Ordinary shares denominated in RMB	3,269,554
Explanation on shareholders of preference shares with restoration of voting rights and their shareholding			–
Explanation on shareholders of preference shares with restoration of voting rights and their shareholding			–

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

As at 30 June 2020, the following persons (other than Directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the 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 (shares)	Capacity	Approximate shareholding percentage of issued H Shares (%)	Approximate shareholding percentage of issued A Shares (%)	Percentage of total issued share capital (%)
CSSC	A Shares	501,745,100 (L)	Beneficial owner	–	61.08%	35.50%
CSSC International Holding Company Limited	H Shares	345,940,890 (L)	Beneficial owner	58.43%	–	24.47%

Note: L = Long position S = Short position P = Lending pool

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 30 June 2020.

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Reference is made to the announcement of the Company dated 28 August 2020. As mentioned in the Company's announcement dated 26 May 2020, the term of office of the Directors of the ninth session of the Board and the Supervisors of the ninth session of the Supervisory Committee has been extended until the Directors of the new session of the Board and supervisors of the new session of the Supervisory Committee are elected and appointed at the general meeting.

The Company is informed that the nomination of candidates for Directors of the tenth session of the Board and the supervisors of the tenth session of the Supervisory Committee has been completed. The Company will convene a general meeting for purpose of electing the Directors of the tenth session of the Board and the supervisors of the tenth session of the Supervisory Committee in October 2020.

II. OTHER EXPLANATIONS

(i) Directors', supervisors' and chief executives' interests and short positions in the shares, underlying shares and debentures

As at 30 June 2020, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including the interests and short positions considered or deemed to be held by such Directors, supervisors and chief executives under provisions such as the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules of the Stock Exchange, to be notified to the Company and the Stock Exchange.

(ii) Employees and remuneration policies

The remuneration of the employees of the Group includes salaries, bonuses and other fringe benefits prescribed by the government. The Group applies different rates of remuneration for different employees, which are determined based on their positions and performance pursuant to the relevant PRC laws and regulations. As at 30 June 2020, the Group had a total of 7,622 employees. For the period ended 30 June 2020, the remuneration paid by the Group to employees was RMB640 million in aggregate.

SECTION VIII FINANCIAL REPORT

Consolidated balance sheet 30 June 2020

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

Unit: Yuan Currency: RMB

Item	Note	30 June 2020	31 December 2019
Current assets:			
Cash at bank and on hand	VI (1)	6,636,224,686.49	14,317,366,099.93
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading	VI (2)	4,180,994.91	48,785,784.80
Derivative financial assets			
Notes receivable	VI (3)	102,808,726.99	633,564,863.60
Accounts receivable	VI (4)	1,297,442,024.44	2,350,380,440.10
Receivable financing			
Prepayments	VI (5)	1,731,478,929.23	2,339,261,199.21
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VI (6)	140,567,310.86	1,822,048,699.16
Including: Interest receivable			8,794,796.77
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	VI (7)	3,542,248,384.76	4,344,806,992.50
Contract assets	VI (8)	5,060,551,287.22	6,336,385,363.12
Assets held for sale	VI (9)	641,647,147.54	
Non-current assets due within one year	VI (10)		692,000,000.00
Other current assets	VI (11)	1,248,798,646.48	350,850,895.77
Total current assets		20,405,948,138.92	33,235,450,338.19
Non-current assets:			
Loans and advances to customers			
Debt investments			
Other debt investments			
Long-term receivables	VI (12)	2,155,578,593.14	2,703,137,274.56
Long-term equity investments	VI (13)	4,820,918,817.28	753,695,038.72
Investments in other equity instruments	VI (14)	3,829,873,557.03	71,248,734.49
Other non-current financial assets			
Investment properties	VI (15)		20,993,939.36
Fixed assets	VI (16)	3,870,855,033.74	11,439,928,689.69
Construction in progress	VI (17)	825,364,482.41	1,181,944,326.01
Productive biological assets			
Oil and gas assets			
Right-of-use asset	VI (18)	128,832,980.66	149,351,363.01
Intangible assets	VI (19)	758,839,573.32	2,072,573,536.99
Development expenses			
Goodwill	VI (20)		144,231,195.67
Long-term prepaid expenses	VI (21)	5,905,421.04	75,592,524.66
Deferred income tax assets	VI (22)	358,726,380.25	377,902,704.29
Other non-current assets	VI (23)	77,982,795.52	78,019,489.34
Total non-current assets		16,832,877,634.39	19,068,618,816.79
Total assets		37,238,825,773.31	52,304,069,154.98

SECTION VIII FINANCIAL REPORT

Item	Note	30 June 2020	31 December 2019
Current liabilities:			
Short-term borrowings	VI (24)	2,460,355,881.93	6,147,082,148.56
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading	VI (25)	109,244,763.92	221,737,672.75
Derivative financial liabilities			
Notes payable	VI (26)	941,011,081.06	3,063,415,001.67
Accounts payable	VI (27)	4,569,667,423.85	8,687,397,898.75
Advances from customers	VI (28)	491,554,218.00	
Contract liabilities	VI (29)	5,231,569,245.78	8,488,146,386.62
Securities sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	VI (30)	65,651,104.58	40,446,901.64
Taxes payable	VI (31)	15,951,559.69	72,234,563.79
Other payables	VI (32)	156,910,922.99	344,881,770.61
Including: Interest payable			35,332,096.80
Dividends payable		304,042.49	394,042.49
Fee and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	VI (33)	2,218,603,513.24	2,281,928,067.24
Other current liabilities	VI (34)	162,588,988.49	63,237,341.88
Total current liabilities		16,423,108,703.53	29,410,507,753.51
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	VI (35)	3,053,544,337.74	6,049,757,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VI (36)	108,935,162.63	110,198,081.27
Long-term payables	VI (37)	99,370,000.00	101,816,823.07
Long-term employee benefits payable	VI (38)	172,091,358.27	229,389,012.33
Estimated liabilities	VI (39)	249,931,921.53	694,854,560.21
Deferred income	VI (40)	156,713,952.31	150,307,309.25
Deferred tax liabilities	VI (22)	241,531,191.44	9,514,927.47
Other non-current liabilities			
Total non-current liabilities		4,082,117,923.92	7,345,837,713.60
Total liabilities		20,505,226,627.45	36,756,345,467.11

Item	Note	30 June 2020	31 December 2019
Owners' equity (or shareholders' interests):			
Paid-in capital (or share capital)	VI (41)	1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VI (42)	8,871,275,223.68	9,418,941,779.55
Less: Treasury shares			
Other comprehensive income	VI (43)	662,264,282.21	-41,694,917.30
Special reserve	VI (44)		443,910.04
Surplus reserve	VI (45)	962,452,773.01	962,452,773.01
Provision for general risks			
Undistributed profit	VI (46)	1,494,085,803.63	-1,605,393,084.53
Total equity (or shareholders' interests) attributable to owners of the Parent Company		13,403,584,460.53	10,148,256,838.77
Minority interests	VI (47)	3,330,014,685.33	5,399,466,849.10
Total owners' equity (or shareholders' interests)		16,733,599,145.86	15,547,723,687.87
Total liabilities and owners' equity (or shareholders' interests)		37,238,825,773.31	52,304,069,154.98

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Balance sheet of the Parent Company 30 June 2020

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

Unit: Yuan Currency: RMB

Item	Note	30 June 2020	31 December 2019
Current assets:			
Cash at bank and on hand	XVII (1)	755,607,790.97	113,638,189.16
Financial assets held-for-trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII (2)	62,639,063.47	40,084,782.69
Receivable financing			
Prepayments	XVII (3)	2,831,781.00	6,585,840.89
Other receivables	XVII (4)	7,758,544.68	8,852,312.88
Including: Interest receivable			199,136.97
Dividends receivable			
Inventories	XVII (5)		78,044,136.16
Contract assets			
Assets held for sale	XVII (6)	641,125,874.53	
Non-current assets due within one year	XVII (7)	50,055,555.56	270,000,000.00
Other current assets	XVII (8)	113,723,304.22	244,609,360.00
Total current assets		1,633,741,914.43	761,814,621.78
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables	XVII (9)		600,000,000.00
Long-term equity investments	XVII (10)	6,230,487,384.55	7,873,786,253.99
Investments in other equity instruments	XVII (11)	3,793,111,335.04	
Other non-current financial assets			
Investment properties			
Fixed assets	XVII (12)	433,933,456.93	447,436,065.79
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use asset	XVII (13)	1,441,137.97	1,896,234.13
Intangible assets	XVII (14)	10,093,558.63	10,161,107.29
Development expenses			
Goodwill			
Long-term prepaid expenses	XVII (15)	547,889.19	720,906.87
Deferred income tax assets	XVII (16)	20,000,000.00	20,000,000.00
Other non-current assets	XVII (17)	802,955,684.99	436,902,001.36
Total non-current assets		11,292,570,447.30	9,390,902,569.43
Total assets		12,926,312,361.73	10,152,717,191.21

SECTION VIII FINANCIAL REPORT

Item	Note	30 June 2020	31 December 2019
Current liabilities:			
Short-term borrowings	XVII (18)		200,000,000.00
Financial liabilities held-for-trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	XVII (19)	168,433,940.03	179,911,996.18
Advances from customers	XVII (20)	491,554,218.00	
Contract liabilities	XVII (21)	10,304,181.00	59,818,924.73
Employee benefits payable	XVII (22)		
Taxes payable	XVII (23)	473,165.21	2,802,092.60
Other payables	XVII (24)	12,062,976.68	53,596,763.60
Including: Interest payable			565,277.78
Dividends payable		304,042.49	304,042.49
Liabilities held for sale			
Non-current liabilities due within one year	XVII (25)	953,276.09	200,898,274.92
Other current liabilities	XVII (26)		30,817.60
Total current liabilities		683,781,757.01	697,058,869.63
Non-current liabilities:			
Long-term borrowings	XVII (27)	600,339,166.66	600,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	XVII (28)	599,144.66	1,096,162.49
Long-term payables	XVII (29)	99,370,000.00	99,370,000.00
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities	XVII (16)	233,807,033.76	
Other non-current liabilities			
Total non-current liabilities		934,115,345.08	700,466,162.49
Total liabilities		1,617,897,102.09	1,397,525,032.12
Owners' equity (or shareholders' interests):			
Paid-in capital (or share capital)	XVII (30)	1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	XVII (31)	8,335,927,762.50	6,147,927,729.10
Less: Treasury shares			
Other comprehensive income	XVII (32)	699,215,832.19	
Special reserve			
Surplus reserve	XVII (33)	472,681,889.15	472,681,889.15
Undistributed profit	XVII (34)	387,083,397.80	721,076,162.84
Total owners' equity (or shareholders' interests)		11,308,415,259.64	8,755,192,159.09
Total liabilities and owners' equity (or shareholders' interests)		12,926,312,361.73	10,152,717,191.21

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Consolidated Income Statement From January to June 2020

Unit: Yuan Currency: RMB

Item	Note	1st half of 2020	1st half of 2019
I. Total operating income		4,293,181,183.56	7,816,085,319.68
Including: Operating income	VI (51)	4,293,181,183.56	7,816,085,319.68
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		4,535,988,364.18	8,354,963,237.47
Including: Operating costs	VI (51)	4,061,243,529.52	7,626,860,800.81
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 (52)	15,586,633.76	32,793,624.08
Selling expenses	VI (53)	23,242,577.85	8,547,839.97
Administrative expenses	VI (54)	259,745,214.38	374,142,028.48
Research and development expense	VI (55)	251,764,193.06	226,390,380.65
Finance cost	VI (56)	-75,593,784.39	86,228,563.48
Including: Interest expenses		93,466,276.45	195,683,733.87
Interest income		132,806,729.54	128,327,120.98
Add: Other income	VI (57)	21,351,992.29	5,517,547.40
Investment income (loss expressed with “-”)	VI (58)	3,373,579,240.59	-200,623,239.54
Including: Investment income in associates and joint ventures		-6,432,971.46	-2,542,980.91
Derecognition income of financial assets measured at amortised cost (loss expressed with “-”)			
Exchange gain (loss expressed with “-”)			
Net gain on exposure hedging (loss expressed with “-”)			
Gain on change in fair value (loss expressed with “-”)	VI (59)	-30,624,591.00	264,450,151.28
Loss on impairment of credit (loss expressed with “-”)	VI (60)	4,685,877.27	-8,451,275.85
Loss on impairment of assets (loss expressed with “-”)	VI (61)	-168,731,612.95	-69,618,896.09
Gains from disposal of asset (loss expressed with “-”)	VI (62)		-249,851.06
III. Operating profit (loss expressed with “-”)		2,957,453,725.58	-547,853,481.65
Add: Non-operating income	VI (63)	4,002,590.52	1,253,089,251.01
Less: Non-operating expenses	VI (64)	1,451,741.14	1,625,913.57
IV. Total profit (total loss expressed with “-”)		2,960,004,574.96	703,609,855.79
Less: Income tax expense	VI (65)	16,242,996.39	93,984,992.93
V. Net profit (net loss expressed with “-”)		2,943,761,578.57	609,624,862.86
(1) By continuity of operations			
1. Net profit from continuing operations (net loss expressed with “-”)		-252,678,750.02	1,024,868,483.89
2. Net profit from discontinued operations (net loss expressed with “-”)	XVI (3)	3,196,440,328.59	-415,243,621.03
(2) By ownership			
1. Net profit attributable to shareholders of the Parent Company (net loss expressed with “-”)		3,102,837,570.74	390,750,329.92
2. Gain or loss attributable to minority interests (net loss expressed with “-”)		-159,075,992.17	218,874,532.94

Item	Note	1st half of 2020	1st half of 2019
VI. Net amount of other comprehensive income after tax	<i>VI (66)</i>	700,169,972.07	10,401,824.34
(1) Net amount of other comprehensive income after tax attributable to owners of the Parent Company		700,600,516.93	7,568,646.25
1. Other comprehensive income that may not be reclassified to profit or loss		700,163,899.21	7,520,933.58
(1) Change in re-measurement of defined benefit plans			
(2) Other comprehensive income that may not be reclassified to profit or loss under equity method		-95,851.03	
(3) Change in fair value of investments in other equity instruments		700,259,750.24	7,520,933.58
(4) Change in fair value of own credit risk			
2. Other comprehensive income that may be reclassified to profit or loss		436,617.72	47,712.67
(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) Amount included in other comprehensive income on reclassification of financial assets			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedges reserve (effective portion of gain or loss on cash flow hedges)			
(6) Exchange differences arising from translation of foreign currency financial statements		436,617.72	47,712.67
(7) Others			
(2) Net amount of other comprehensive income after tax attributable to minority interests		-430,544.86	2,833,178.09
VII. Total comprehensive income		3,643,931,550.64	620,026,687.20
(1) Total comprehensive income attributable to owners of the Parent Company		3,803,438,087.67	398,318,976.17
(2) Total comprehensive income attributable to minority interests		-159,506,537.03	221,707,711.03
VIII. Earnings per share:			
(1) Basic earnings per share (RMB/share)	<i>XVIII (2)</i>	2.1951	0.2764
(2) Diluted earnings per share (RMB/share)	<i>XVIII (2)</i>	2.1951	0.2764

For business combination under common control for the current period, net profit realized by the acquiree before the combination was RMB0, net profit realized by the acquiree was RMB0 for the last period.

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Income statement of the Parent Company From January to June 2020

Unit: Yuan Currency: RMB

Item	Note	1st half of 2020	1st half of 2019
I. Operating income	<i>XVII (38)</i>	98,222,601.70	91,961,389.81
Less: Operating costs	<i>XVII (38)</i>	94,680,914.39	89,042,949.57
Taxes and surcharges	<i>XVII (39)</i>	4,213,994.53	1,396,458.92
Selling expenses	<i>XVII (40)</i>	279,731.32	1,245,236.98
Administrative expenses	<i>XVII (41)</i>	9,480,805.67	10,051,417.16
Research and development expense			
Finance cost	<i>XVII (42)</i>	-9,397,824.95	-13,932,102.59
Including: Interest expenses		8,184,717.45	14,208,124.99
Interest income		17,593,464.38	28,187,838.37
Add: Other income	<i>XVII (43)</i>	14,346.29	
Investment income (loss expressed with “-”)	<i>XVII (44)</i>	1,248,495,717.54	-1,479,212.18
Including: Investment income in associates and joint ventures		-98,741,026.22	-1,479,212.18
Derecognition income of financial assets measured at amortised cost (loss expressed with “-”)			
Net gain on exposure hedging (loss expressed with “-”)			
Gain on change in fair value (loss expressed with “-”)			
Loss on impairment of credit (loss expressed with “-”)	<i>XVII (45)</i>	-346,461.07	67,779.32
Loss on impairment of assets (loss expressed with “-”)	<i>XVII (46)</i>	-2,580,564.17	
Gain from disposal of assets (loss expressed with “-”)			
II. Operating profit (loss expressed with “-”)		1,244,548,019.33	2,745,996.91
Add: Non-operating income	<i>XVII (47)</i>	46,443.78	
Less: Non-operating expenses	<i>XVII (48)</i>	6,951.39	82.78
III. Total profit (total loss expressed with “-”)		1,244,587,511.72	2,745,914.13
Less: Income tax expense	<i>XVII (49)</i>		
IV. Net profit (net loss expressed with “-”)		1,244,587,511.72	2,745,914.13
(1) Net profit from continuing operations (net loss expressed with “-”)		1,244,587,511.72	2,745,914.13
(2) Net profit from discontinued operations (net loss expressed with “-”)			
V. Net amount of other comprehensive income after tax		701,107,406.99	
(1) Other comprehensive income that may not be reclassified to profit or loss		701,107,406.99	
1. Change in re-measurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		-313,694.29	
3. Change in fair value of investments in other equity instruments		701,421,101.28	
4. Change in fair value of own credit risk			
(2) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedges reserve			
6. Exchange differences arising from translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		1,945,694,918.71	2,745,914.13
VII. Earnings per share:			
(1) Basic earnings per share (RMB/share)			
(2) 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 June 2020

Unit: Yuan Currency: RMB

Item	Note	1st half of 2020	1st half of 2019
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		4,453,914,097.85	6,058,118,267.56
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		142,231,304.94	596,547,275.43
Other cash receipts relating to operating activities	VI (75)	975,704,748.52	1,137,939,919.46
Sub-total of cash inflows from operating activities		5,571,850,151.31	7,792,605,462.45
Cash paid for goods and services		7,518,112,723.78	9,667,631,483.97
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		509,240,432.48	945,314,358.75
Payments of taxes		69,932,754.91	71,995,816.45
Other cash payments relating to operating activities	VI (75)	212,082,219.69	308,141,118.24
Sub-total of cash outflows from operating activities		8,309,368,130.86	10,993,082,777.41
Net cash flows from operating activities		-2,737,517,979.55	-3,200,477,314.96
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		994,723,098.00	300,000,000.00
Cash receipts from investment income		3,280,462.79	6,060,784.49
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		731,602.85	222,809.08
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	VI (75)	1,448,872,954.44	1,720,638,033.71
Sub-total of cash inflows from investing activities		2,447,608,118.08	2,026,921,627.28
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		497,937,659.45	371,211,006.35
Cash paid for investments		1,327,671,072.11	630,614,976.25
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units		10,706,417.69	
Other cash payments relating to investing activities	VI (75)	5,610,379,990.82	2,394,898,237.08
Sub-total of cash outflows from investing activities		7,446,695,140.07	3,396,724,219.68
Net cash flows from investing activities		-4,999,087,021.99	-1,369,802,592.40

SECTION VIII FINANCIAL REPORT

Item	Note	1st half of 2020	1st half of 2019
III. Cash flows from financing activities:			
Cash receipts from receiving investments			
Including: Cash received by subsidiaries from receiving investments made by minority interest			
Cash receipts from borrowings obtained		3,476,463,262.48	6,920,297,222.23
Other cash receipts relating to financing activities	VI (75)	48,500,000.00	167,000,000.00
Sub-total of cash inflows from financing activities		3,524,963,262.48	7,087,297,222.23
Cash paid for repayment of debts		3,146,782,119.50	6,002,152,246.16
Cash paid for dividends, profit distribution or interest expenses		81,313,671.50	190,507,347.30
Including: Dividends and profits paid by subsidiaries to minority interests			
Other cash payments relating to financing activities	VI (75)	5,240,021.17	
Sub-total of cash outflows from financing activities		3,233,335,812.17	6,192,659,593.46
Net cash flows from financing activities		291,627,450.31	894,637,628.77
IV. Effect of change in exchange rate on cash and cash equivalents		19,158,231.62	-12,849,024.61
V. Net increase in cash and cash equivalents		-7,425,819,319.61	-3,688,491,303.20
Add: Beginning balance of cash and cash equivalents		10,683,490,790.99	8,536,815,355.09
VI. Ending balance of cash and cash equivalents		3,257,671,471.38	4,848,324,051.89

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Cash Flow Statement of the Parent Company From January to June 2020

Unit: Yuan Currency: RMB

Item	Note	1st half of 2020	1st half of 2019
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		42,578,992.48	92,718,196.49
Cash received from tax refund		147,240.00	
Other cash receipts relating to operating activities	XVII (55)	3,394,347.32	5,541,582.32
Sub-total of cash inflows from operating activities		46,120,579.80	98,259,778.81
Cash paid for goods and services		16,521,330.25	70,136,338.25
Cash paid to and on behalf of employees		5,826,437.76	13,959,493.28
Payments of taxes		16,095,421.19	6,960,485.78
Other cash payments relating to operating activities	XVII (55)	51,342,983.83	13,530,530.32
Sub-total of cash outflows from operating activities		89,786,173.03	104,586,847.63
Net cash flows from operating activities		-43,665,593.23	-6,327,068.82
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		491,554,218.00	
Cash receipts from investment income			86,694.62
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	XVII (55)	700,220,416.67	128,363,097.20
Sub-total of cash inflows from investing activities		1,191,774,634.67	128,449,791.82
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets			74,195.75
Cash paid for investments		70,000,000.00	
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities	XVII (55)	390,000,000.00	530,000,000.00
Sub-total of cash outflows from investing activities		460,000,000.00	530,074,195.75
Net cash flows from investing activities		731,774,634.67	-401,624,403.93
III. Cash flows from financing activities:			
Cash receipts from receiving investments			400,000,000.00
Cash receipts from borrowings obtained			
Cash receipts			
Sub-total of cash inflows from financing activities		-	400,000,000.00
Cash paid for repayment of debts		400,000,000.00	
Cash paid for dividends, profit distribution or interest expenses		8,377,416.67	14,008,652.77
Other cash payments relating to financing activities	XVII (55)	475,428.56	
Sub-total of cash outflows from financing activities		408,852,845.23	14,008,652.77
Net cash flows from financing activities		-408,852,845.23	385,991,347.23
IV. Effect of change in exchange rate on cash and cash equivalents		-538.84	
V. Net increase in cash and cash equivalents		279,255,657.37	-21,960,125.52
Add: Beginning balance of cash and cash equivalents		83,638,189.16	99,371,121.05
VI. Ending balance of cash and cash equivalents		362,893,846.53	77,410,995.53

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Consolidated Statement of Changes in Owners' Equity From January to June 2020

Unit: Yuan Currency: RMB

Item	1st half of 2020														
	Equity attributable to shareholders of the Company														
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Others	Sub-total	Minority interests	Total equity
Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others												
I. Ending balance of last year	1,413,506,378.00				9,418,941,779.55		-41,694,917.30	443,910.04	962,452,773.01		-1,665,393,084.53		10,148,256,838.77	5,389,466,848.10	15,547,723,687.87
Add: Changes in accounting policies															
Correction of previous errors															
Business combination under common control															
Others															
II. Beginning balance of the year	1,413,506,378.00				9,418,941,779.55		-41,694,917.30	443,910.04	962,452,773.01		-1,665,393,084.53		10,148,256,838.77	5,389,466,848.10	15,547,723,687.87
III. Increase/decrease for the period															
(Decrease expressed with "-")					-547,666,555.87		703,959,199.51	-443,910.04			3,099,478,888.16		3,255,327,821.78	-2,069,432,163.77	1,185,875,457.99
(i) Total comprehensive income							700,600,516.93				3,102,837,570.74		3,803,438,087.87	-159,506,537.03	3,643,931,550.84
(ii) Capital paid in and reduced by shareholders					-547,666,555.87								-547,666,555.87	-1,909,945,626.74	-2,457,612,182.61
1. Ordinary shares paid by shareholders														48,500,000.00	48,500,000.00
2. Capital paid by holders of other equity instruments															
3. Amount of share-based payments recognised in owners' equity															
4. Others					-547,666,555.87								-547,666,555.87	-1,958,445,626.74	-2,506,112,182.61
(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							3,358,682.58				-3,358,682.58				
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								3,358,682.58			-3,358,682.58				
6. Others															
(v) Special reserve								-443,910.04					-443,910.04		-443,910.04
1. Transfer in the period								5,501,685.12					5,501,685.12		5,501,685.12
2. Utilisation in the period								5,945,595.16					5,945,595.16		5,945,595.16
(vi) Others															
IV. Ending balance of the period	1,413,506,378.00				8,871,275,223.68		662,264,282.21		962,452,773.01		1,494,085,803.63		13,403,394,460.53	3,330,014,665.33	16,733,599,145.86

SECTION VIII FINANCIAL REPORT

Item	1st half of 2019														
	Equity attributable to shareholders of the Company														
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Others	Sub-total	Minority interests	Total equity
Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others												
I. Ending balance of last year	1,413,506,378.00				9,549,580,748.94		-45,615,426.57	1,226,639.50	962,441,825.31		-2,153,702,475.37		9,727,437,689.21	4,628,972,658.86	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	1,413,506,378.00				9,549,580,748.94		-45,615,426.57	1,226,639.50	962,441,825.31		-2,153,702,475.37		9,727,437,689.21	4,628,972,658.86	14,356,410,548.07
III. Increase/decrease for the period															
(Decrease expressed with "-")					55,332.77		7,568,646.25	-2,171.57			380,750,329.92		388,372,137.37	388,634,113.07	787,006,250.44
(i) Total comprehensive income							7,568,646.25				380,750,329.92		388,318,976.17	221,707,711.03	609,026,687.20
(ii) Capital paid in and reduced by shareholders					55,332.77								55,332.77	166,926,402.04	166,981,734.81
1. Ordinary shares paid by shareholders														167,000,000.00	167,000,000.00
2. Capital paid by holders of other equity instruments															
3. Amount of share-based payments recognised in owners' equity															
4. Others					55,332.77								55,332.77	-73,597.96	-18,265.19
(iii) Profit distribution															
1. Transfer to surplus reserve															
2. Transfer to provision for general risks															
3. Distribution to owners (or shareholders)															
4. 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								-2,171.57					-2,171.57		-2,171.57
1. Transfer in the period								17,644,658.49					17,644,658.49		17,644,658.49
2. Utilisation in the period								17,647,030.06					17,647,030.06		17,647,030.06
(vi) Others															
IV. Ending balance of the period	1,413,506,378.00				9,549,636,081.11		-38,046,780.32	1,224,467.93	962,441,825.31		-1,762,952,145.45		10,125,609,826.58	5,017,606,971.93	15,143,416,798.51

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

Statement of Changes in Owners' Equity of the Parent Company From January to June 2020

Unit: Yuan Currency: RMB

Item	1st half of 2020										
	Paid-in capital (or share capital)	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit
Preference shares		Perpetual bonds	Others	Others							
I. Ending balance of last year	1,413,506,378.00				6,147,927,729.10				472,681,889.15	721,076,162.84	8,755,192,159.09
Add: Changes in accounting policies											
Correction of previous errors											
Others					2,187,964,271.39		-1,891,574.80			-1,578,580,276.76	607,492,419.83
II. Beginning balance of the year	1,413,506,378.00				8,335,892,000.49		-1,891,574.80		472,681,889.15	-867,504,113.92	9,362,684,578.92
III. Increase/Decrease for the period (Decrease expressed with "-")					35,762.01		701,107,406.99			1,244,587,511.72	1,945,730,680.72
(i) Total comprehensive income							701,107,406.99			1,244,587,511.72	1,945,694,918.71
(ii) Capital paid in and reduced by shareholders					35,762.01						35,762.01
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					35,762.01						35,762.01
(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 period											
2. Utilisation in the period											
(vi) Others											
IV. Ending balance of the year	1,413,506,378.00				8,335,927,762.50		699,215,832.19		472,681,889.15	387,083,397.80	11,308,415,259.64

SECTION VIII FINANCIAL REPORT

Item	1st half of 2019										
	Other equity instruments										
	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	Total equity
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 period											
(Decrease expressed with "-")										2,745,914.13	2,745,914.13
(i) Total comprehensive income										2,745,914.13	2,745,914.13
(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 period											
2. Utilisation in the period											
(vi) Others											
IV. Ending balance of the period	1,413,506,378.00				6,147,927,729.10				472,670,941.45	720,723,547.64	8,757,828,596.19

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

1. 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 15th Floor, Marine Tower, No.137 Gexin Road, Haizhu District, Guangzhou City and its headquarters located at 15th Floor, Marine Tower, No.137 Gexin Road, Haizhu District, Guangzhou City.

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

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

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

According to the Replies on Approval of Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing (Zheng Jian Xu Ke [2015] No. 330) issued by the China Securities Regulatory Commission, on 8 April 2015, the Company placed 272,099,300 ordinary shares of RMB1 each to China State Shipbuilding Corporation Limited (“CSSC”) for purchase of CSSC’s 85% equity interests in CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”) and paid cash to CSSC for acquisition of 15% equity interests 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”.

As at 30 June 2020, the unified social credit code of the Company’s business license is 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.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group include the Company and its 13 subsidiaries, including: CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”), Guangzhou Huangchuan Ocean Engineering Co. Ltd (“Huangchuan Ocean Engineering”), Zhanjiang Nanhai Ship Hi-Tech Services Ltd. (“Zhanjiang Nanhai”), Guangzhou Xinhang Human Resources Service Co., Ltd. (“Xinhang”), Guangzhou Wenchong Shipyard Co. Ltd. (“Wenchong Shipyard”), Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd. (“Wenchong Bingshen”), Guangzhou Wenchuan Heavy Industrial Co. Ltd. (“Wenchuan Industrial”), Guangzhou Xingji Maritime Engineering Design Co., Ltd. (“Xingji”), Wah Shun International Marine Limited (“Wah Shun”), Wah Loong International Marine Limited (“Wah Loong”), CSSC (Guangzhou) New Energy Co., Ltd. (“CSSC New Energy”), CSSC Industrial Internet Co., Ltd. (“CSSC Internet”) and Guangdong Wenchuan Yuansheng Construction Co., Ltd. (“Wenchuan Yuansheng”).

Please refer to “VII. Change in the Scope of Consolidation” and “VIII. Interest in Other Entities” 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 and relevant regulations (hereinafter referred to as the “Accounting Standards for Business Enterprises”), and No. 15 of regulations on information disclosures of companies that issue public offering shares – General Rules of preparing financial reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), the applicable disclosures required by Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange, as well as the accounting policies and estimation as described in Note IV “Significant Accounting Policies and Accounting Estimation”.

(2) Going-concern

The management of the Group has assessed its ability to operate on a continuing basis for the 12 months from 30 June 2020 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.

(3) Accounting basis and pricing principles

The Group’s accounting is based on the accrual basis. Except for certain financial instruments, this financial statement adopts historical cost as the measurement basis. The disposal group held for sale shall be presented in accordance with the lower of the book value and the net value of fair value net selling expenses. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with relevant regulations.

Under historical cost measurement, assets are measured according to the amount of cash or cash equivalents paid at the time of purchase or the fair value of the consideration paid. Liabilities are measured in accordance with the amount of money or assets actually received as a result of assuming current obligations, or the contract amount for assuming current obligations, or the amount of cash or cash equivalents expected to be paid in daily activities to repay the liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Notes on specific accounting policies and accounting estimates:

The Group adopts accounting policies and accounting estimates based on the features of its own production and operation, which cover the recognition and measurement of provision for bad debts for receivables, measurement of inventories delivered, methods for classification and depreciation of fixed assets, amortisation of intangible assets, amortisation of long-term prepaid expenses, and recognition and measurement of revenue.

(1) Statement of compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of the financial position, the operating results and cash flows of the Company and the Group.

(2) Accounting period

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

(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 Company and its subsidiaries adopt the currency of the main economic environment in which they operate as the reporting currency for accounting. The currency adopted by the Group to prepare this financial statement is Renminbi (“RMB”).

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)

(5) Accounting treatments for business combinations under and not under common control

Business combinations are divided into business combination under common control and business combination 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. All direct expenses incurred for the business combinations shall be included in the current profit and loss when incurred.

For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination under common control are measured at fair value. The cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and the sum of all expenses incurred during the business combination (For business combination achieved in stages, the cost of combination is the sum of cost for each single transaction). Goodwill is recognised by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree acquired, firstly, fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities have to be reviewed. The excess of the fair value of net identifiable assets of the acquiree acquired over the cost of business combination will be recognised in the consolidated non-operating for current period after review. Intermediary expenses such as auditing, legal services, evaluation and consulting as well as other related management expenses incurred by the purchaser for the business combination shall be included in the current profits and losses when incurred. The goodwill formed by business combinations is presented separately in the consolidated financial statements, and is measured at the cost after deducting the accumulated impairment provision.

(6) Preparation of consolidated financial statements

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

When preparing the consolidated financial statements, when the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing consolidated financial statements, all significant internal transactions, balances and unrealized profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the Company, and proportion of profit or loss for current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under "equity of minority shareholders, gain or loss attributable to minority interests, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to the minority shareholders" in the consolidated financial statements.

For subsidiaries acquired through business combination under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements since the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last period, regarding as the reporting subject which was formed after combination has existed since the ultimate controller started control.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, shall be regarded as the ultimate controller started the control and adjustment was made under current status. When preparing comparative financial statements, time limit is the time not earlier than the Group and the acquiree are both under the control of ultimate controller, related assets and liabilities of the acquiree shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets increased due to combination adjusted related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the acquiree, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the acquiree are under the same control, whichever is earlier, to the date of combination, the related profit or loss recognised, other comprehensive income and other change in assets, shall be written off retained earnings at the beginning of the comparative period and profit or loss for current period.

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

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

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

When the Group lost control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be re-measured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets of the subsidiary calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group lost 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 assume in proportion, and related income and fees will be recognised according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or sale under joint operation that do not constitute business, only when profit or loss incurred from that transaction attributable to the other parties under the joint operation.

(8) Cash and cash equivalents

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

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

1 Foreign currency transaction

Transactions by foreign currency of the Group are translated into RMB at the spot exchange rate of the transaction date. On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for from the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalised, the exchange difference is directly included in profit and loss for the period.

2 Translation of foreign currency financial statements

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

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

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- 4) Foreign currency cash flows are translated using the average of the exchange rates at the beginning of the period and the end of the period. The effect of changes in exchange rates on cash and cash equivalents is presented separately in the statement of cash flows.

(10) Financial instruments

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

1. Financial assets

- 1) *Classification of financial assets, 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.

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

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

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

In case where the transfer of only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the sum of the amount of consideration received for the transfer and the amount corresponding to the derecognised part of the accumulated changes in fair value which were previously included in other comprehensive income (the contractual terms of the financial asset provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal) and the aforesaid allocated overall carrying amount of the financial asset is charged to profit or loss.

2. **Financial liabilities**

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

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

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

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.

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4) Offsetting of financial assets and financial liabilities

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

5) Distinction between financial liabilities and equity instruments and related treatment methods

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

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

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

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

(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.

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 period, 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 period 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 periods and considering forwarding information for the period, the Group expects the default loss ratio to be 0.5%, determines the expected credit loss of accounts receivable and makes provision for bad debts based on 0.5% of the balance at the balance sheet date.

(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 periods and considering forwarding information for the period, the Group expects the default loss ratio to be 0.5%, determines the expected credit loss of other receivables and make provision for bad debts based on 0.5% of the balance at the balance sheet date.

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(13) Inventories

The inventories of the Group mainly include raw materials, work in progress, turnover material, finished goods, goods in transit and costs to fulfil a contract, etc..

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

2. Amortisation of assets relating to contract costs

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

3. Impairment of assets relating to contract costs

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

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

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 control such arrangement.

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

If the Group has control over an investee, it is a subsidiary of the Group. For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree which is negative on the date of combination, investment cost of long-term equity investment is calculated as zero.

For equity interests in investees under common control acquired in a series of transaction which constitute business combination, supplementary disclosure on the accounting of long-term equity investments in the financial statements of the Company for the Reporting Period in which the control is acquired. For example, for equity interests in investees under common control acquired in a series of transactions which constitute business combination and a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not fall under a series of transactions, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements of the ultimate controller, and accounted as the initial investment cost of long-term equity investment on the date of combination. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

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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 lost 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.

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(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 period, 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.

(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.

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(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.

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

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

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

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

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

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

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

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

(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 period end regardless of whether there is indication of impairment loss.

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

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

(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 and Wenchong Shipyard, being subsidiaries of the Company. The welfare responsibilities generated from defined benefit plan based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or relevant costs of assets. The deficit or surplus generated from the present value of obligations of the defined benefit plan minus the fair value of the assets of defined benefit plan is recognised as net liabilities or net assets. When the defined benefit plan has surplus, the Group will measure the net assets of the defined benefit plan at the lower of the surplus of defined benefit plan and the upper limit of the assets.

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

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

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

Termination benefits are the compensation to employees when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. The compensation liability for the termination of employment relationship with employee are charged to the profit or loss for the period at the earlier of the following dates: (i) when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer. (ii) when the Group recognises and pays the related costs for a restructuring of termination benefits.

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

(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 recognize the revenue accordingly upon the complete fulfilment of each of the performance obligations.

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

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

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

(2) *Methods of revenue recognition*

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

1) *Shipbuilding and offshore engineering products*

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

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

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

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

Foreign currency revenue is recognised based upon contracted currency. For the foreign currency received when revenue recognised, the revenue is subject to the received amount; for the foreign currency not received when revenue recognised, the revenue is subject to the amount calculated by spot rate at the date of recognition of accounts receivable. The amount of combination is recognised as accumulated RMB revenue. The accumulated RMB revenue less prior accounting period accumulated RMB revenue is recognised as current period 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 period 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 recognised for the deductible losses that can be carried forward to subsequent periods 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.

(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.

2. Accounting treatment of assets leased out

(1) Accounting treatment of operating lease

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.

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

(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 period or carry forward.

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

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.

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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 periods. 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 period. 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 periods.

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.

(37) Changes in significant accounting policies and accounting estimates

On 29 February 2020, the Company lost control of GSI due to the disposal of part of its equity interests. According to the "Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal and Discontinuation of Operations", the Company report the relevant information such as the profit statement of Guangzhou Shipyard International as a continuing operation in the previous period as the discontinued operation of the group in the previous period. The specific presentation and adjustments of the consolidated statement are as follows:

Items	After adjustment	Before adjustment	Adjustment amount
Net profit	609,624,862.86	609,624,862.86	0.00
Including: Net continuing operations profit	1,024,868,483.89	609,624,862.86	415,243,621.03
Net discontinued operations profit	-415,243,621.03		-415,243,621.03

After the Company has disposed of certain of its equity interests, it can exert significant influence over GSI. Instead, it can adopt the equity method of accounting at the same time as if it had obtained the same and make retrospective adjustments to the balance of assets of the parent company. The details are as follows:

Items	After adjustment	Before adjustment	Adjustment amount
Total assets	10,760,209,611.04	10,152,717,191.21	607,492,419.83
Including: Long-term equity investment	8,481,278,673.82	7,873,786,253.99	607,492,419.83
Total liabilities	1,397,525,032.12	1,397,525,032.12	0.00
Total owners' equity	9,362,684,578.92	8,755,192,159.09	607,492,419.83
Including: Capital reserve	8,335,892,000.49	6,147,927,729.10	2,187,964,271.39
Other comprehensive income	-1,891,574.80		-1,891,574.80
Retained profits	-857,504,113.92	721,076,162.84	-1,578,580,276.76

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V. TAXATION

(1) Main taxes and rates

	Tax basis	Tax rate
PRC enterprise:		
– Value-added tax	VAT payable (the tax payable is calculated by multiplying taxable sales by the applicable tax rate and deducting the amount of input tax that can be deducted in the current period)	13%, 9%, 6%
– City maintenance and construction tax	Turnover tax payable	7%
– Educational surcharge	Turnover tax payable	3%
– Local educational surcharge	Turnover tax payable	2%
– Enterprise income tax	Taxable income	15%, 20%, 25%
– Hong Kong profits tax	Taxable income	16.50%

Notes on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Tax rate	Remarks
The Company	25.00%	
Huangpu Wenchong	15.00%	
Wenchong Shipyard	15.00%	
Wenchuan Industrial	15.00%	
Wah Shun	16.50%	Note
Wah Loong	16.50%	Note
Zhanjiang Nanhai	20.00%	
Xingji	20.00%	
Other subsidiaries	25.00%	

Note: Wah Shun and Wah Loong, which are registered in Hong Kong, are subject to Hong Kong profits tax with the rate of 16.50%.

(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 13% for ship products and 9% for steel structure products.
- 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.
- According to the relevant regulations of the “Announcement on the Policies Concerning the Deepening of Value-Added Tax Reform” (Announcement of the, Ministry of Finance, State Administration of Taxation and General Administration of Customs [2019] No. 39), some of the subsidiaries of the Group, as production and life service companies, will be deductible input VAT plus 10% from 1 April 2019 to 31 December 2021, deducting VAT payables.

2. Enterprise income tax

- Huangpu Wenchong 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 the period was paid at a rate of 15%;

Wenchuan Industrial 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 the period was paid at a rate of 15%;

Wenchong Shipyard obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201944010453) on 2 December 2019, with a validity period of three years. Its enterprise income tax for the period was paid at a rate of 15%;
- Zhanjiang Nanhai and Xingji are small low-profit enterprises, with the income tax rate of 20% for the period;

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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	63,595.54	206,485.11
Bank deposits	3,257,607,875.84	10,683,284,305.88
Other cash at bank and on hand	3,378,553,215.11	3,633,875,308.94
Total	6,636,224,686.49	14,317,366,099.93
Including: Total amount deposited overseas	7,414,603.64	127,223,129.96

Breakdown of restricted cash at bank and on hand

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	3,240,000,000.00	3,497,000,000.00
Foreign exchange forward contract bond	33,041,157.99	25,200,152.81
Deposit for bank acceptance bills	20,000,000.00	
Deposit for letters of guarantee and letters of credit	1,007,556.00	88,191,044.05
Project security deposit		6,423,779.98
Special housing fund for employees	17,149,899.00	17,046,832.10
Other deposits	13,500.00	13,500.00
Interest income from fixed deposits	67,341,102.12	
Total	3,378,553,215.11	3,633,875,308.94

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

(2) Financial assets held-for-trading

1. Types of financial assets held-for-trading

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	4,180,994.91	48,785,784.80
Including: Forward exchange contracts	4,180,994.91	48,785,784.80
Total	4,180,994.91	48,785,784.80

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

Item	Ending balance	Beginning balance
Listed		
Unlisted	4,180,994.91	48,785,784.80
Total	4,180,994.91	48,785,784.80

Other explanations:

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".

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(3) Notes receivable

1. Classification of notes receivable:

Item	Ending balance	Beginning balance
Bank acceptance bills	30,925,448.57	563,453,834.95
Commercial acceptance bills	71,883,278.42	70,111,028.65
Total	102,808,726.99	633,564,863.60

2. Notes receivable pledged as at the end of the period:

None

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

Item	Amount derecognized as at the end of the period	Amount not derecognized as at the end of the period
Bank acceptance bills	157,428,755.00	2,200,000.00
Commercial acceptance bills		58,000,000.00
Total	157,428,755.00	60,200,000.00

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

None

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

Type	Ending balance				
	Book balance Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	Carrying Value
Provision for bad debts made on an individual basis					
Provision for bad debts made on a collective basis	102,808,726.99	100.00			102,808,726.99
Including: Due within one year	102,808,726.99	100.00			102,808,726.99
Total	102,808,726.99				102,808,726.99

(Continued)

Type	Beginning balance				
	Book balance Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	Carrying Value
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

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(4) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	1,303,961,817.94	2,390,628,704.48
Less: Provision for bad debts	6,519,793.50	40,248,264.38
Net amount	1,297,442,024.44	2,350,380,440.10

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	815,209,223.53	4,076,030.53	0.50
1-2 years	365,641,471.26	1,828,207.35	0.50
2-3 years	25,243,277.71	126,216.39	0.50
3-4 years			
4-5 years	65,158,500.00	325,792.50	0.50
Over 5 years	32,709,345.44	163,546.73	0.50
Total	1,303,961,817.94	6,519,793.50	-

(Continued)

Ageing	Beginning 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	-

2. Credit period of accounts receivable

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

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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 Including: Accounts receivable of which the credit risk has significantly increased since initial recognition					
Provision for bad debts made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	1,303,961,817.94	100.00	6,519,793.50	0.50	1,297,442,024.44
	1,303,961,817.94	100.00	6,519,793.50	0.50	1,297,442,024.44
Total	1,303,961,817.94	-	6,519,793.50	-	1,297,442,024.44

(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 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	
	28,437,630.23	1.19	28,437,630.23	100.00	
Provision for bad debts made on a collective basis 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
	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

(1) 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	815,209,223.53	4,076,030.53	0.50
1-2 years	365,641,471.26	1,828,207.35	0.50
2-3 years	25,243,277.71	126,216.39	0.50
3-4 years			
4-5 years	65,158,500.00	325,792.50	0.50
Over 5 years	32,709,345.44	163,546.73	0.50
Total	1,303,961,817.94	6,519,793.50	-

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4. Provision for bad debts

Type	Change in the period					Ending balance	
	Beginning balance	Provision made	Recovered or reversed	Offset or written off	Change in scope of consolidation		Other changes
Provision for bad debts in respect of accounts receivable	40,248,264.38	-813,741.15	-41,145.50		-27,132,524.53	-5,741,059.70	6,519,793.50
Total	40,248,264.38	-813,741.15	-41,145.50		-27,132,524.53	-5,741,059.70	6,519,793.50

Other explanations:

Other changes are related to the transfer of related claims and debts to Guangzhou Shipyard International Company Limited by the Company.

There is no significant amount of recovery or reversal of the provision for bad debts.

5. Accounts receivable written-off during the period

None

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
Special customer 1	Third party	185,343,200.00	Within one year	14.21	926,716.00
Special customer 2	Third party	177,124,800.00	Within one year	13.58	885,624.00
Special customer 3	Third party	95,181,300.00	Within one year	7.30	475,906.50
Cangzhou Huanghuagang Navigation Engineering Co., Ltd. (滄州黃驊港航務工程有限公司)	Third party	73,148,974.14	Within one year	5.61	365,744.87
China Communications Third Navigation Engineering Bureau Co., Ltd. Shenzhen Branch (中交第三航務工程局有限公司深圳分公司)	Third party	72,522,074.38	Within one year	5.56	362,610.37
Total	-	603,320,348.52	-	46.26	3,016,601.74

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

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(5) Prepayments

1. Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	998,803,602.05	57.68	1,331,088,244.92	56.90
1-2 years	110,041,478.67	6.36	360,732,537.39	15.42
2-3 years	106,283,266.62	6.14	208,235,999.40	8.90
Over 3 years	516,350,581.89	29.82	439,204,417.50	18.78
Total	1,731,478,929.23	-	2,339,261,199.21	-

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

Name of entity	Relationship with the Group	Amount	Of which aged over one period	Amount aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for unsettlement
EMER INTERNATIONAL LIMITED	Third party	301,021,279.70	292,698,406.70	16.90	Over 1 year	Large equipment received in batches and not inspected and accepted
China Shipbuilding Trading Shanghai Co., Ltd.	Under common control of CSSC	236,030,271.03	235,642,767.03	13.61	Over 1 year	Large equipment received in batches and not inspected and accepted
Total		537,051,550.73	528,341,173.73	30.51		

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 (%)
EMER INTERNATIONAL LIMITED	301,021,279.70	Over 1-3 years	17.39
China Shipbuilding Trading (Shanghai) Co., Ltd	236,030,271.03	Within one year, over 2-3 years	13.63
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd	224,670,004.88	Within one year	12.98
Ludong Heavy Machinery Co., Ltd	156,632,649.42	Within one year	9.05
Wuhan Zhonghatong Marine Supply Ltd.	70,783,815.91	Within one year	4.09
Total	989,138,020.94	-	57.14

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(6) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		8,794,796.77
Other receivables	140,567,310.86	1,813,253,902.39
Total	140,567,310.86	1,822,048,699.16

1. Interest receivables

(1) Breakdown of interest receivable

Item	Ending balance	Beginning balance
Fixed deposit		7,516,364.58
Entrusted loan		292,144.66
Entrusted wealth management		986,287.53
Total		8,794,796.77

(2) Significant overdue interest

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

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

None

2. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	141,271,541.39	1,858,170,552.13
Less: Provision for bad debts	704,230.53	44,916,649.74
Net amount	140,567,310.86	1,813,253,902.39

(1) Breakdown of other receivables by nature

Nature of amount	Book balance as at the end of the period	Book balance as at the beginning of the year
Refundable deposit	51,129,222.08	147,558,550.16
Temporary payments receivables	7,485,289.72	51,620,457.81
Reserve funds	6,897,456.17	18,761,738.07
Land storage compensation receivable		713,005,660.38
Land disposal compensation receivable		686,000,000.00
Other current amount	75,759,573.42	241,224,145.71
Total	141,271,541.39	1,858,170,552.13

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From 1 January 2020 to 30 June 2020

(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 2020		9,226,451.84	35,690,197.90	44,916,649.74
Book balance of other receivables as at 1 January 2020	-	-	-	-
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the period		-3,862,405.42	31,510.11	-3,830,895.31
Reversed during the period				
Offset during the period				
Written off during the period				
Other changes		-4,659,815.89	-35,721,708.01	-40,381,523.90
Balance as at 30 June 2020		704,230.53		704,230.53

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)	128,032,520.21	636,269.32	0.50
1-2 years	9,860,553.22	52,568.86	0.50
2-3 years	3,218,499.63	14,592.51	0.50
3-4 years	74,508.00	372.54	0.50
4-5 years	33,210.33	166.05	0.50
Over 5 years	52,250.00	261.25	0.50
Total	141,271,541.39	704,230.53	-

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

None

(3) Ageing analysis

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	128,032,520.21	636,269.32	0.50
1-2 years	9,860,553.22	52,568.86	0.50
2-3 years	3,218,499.63	14,592.51	0.50
3-4 years	74,508.00	372.54	0.50
4-5 years	33,210.33	166.05	0.50
Over 5 years	52,250.00	261.25	0.50
Total	141,271,541.39	704,230.53	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

(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)	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	-

(4) Provision for bad debts for other receivables

Type	Change in the period						Ending balance
	Beginning balance	Provision made	Recovered or reversed	Offset or written off	Change in scope of consolidation	Other changes	
Provision for bad debts of other receivables	44,916,649.74	-3,830,895.31			-40,381,297.90	-226.00	704,230.53
Total	44,916,649.74	-3,830,895.31			-40,381,297.90	-226.00	704,230.53

(5) Other receivables written-off during the period

None

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

Name of entity	Nature of amount	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debt
Shenzhen-Zhongshan Bridge Management Centre (深中通道管理中心)	Performance bonds	38,526,178.00	Within one year	27.27	192,630.89
Guangdong Heshun Property Management Co., Ltd.	Three supply and one industry expenses	9,000,000.00	Within one year	6.37	45,000.00
People's Insurance Company of China Guangzhou Branch	First tranche of insurance claims	7,386,320.75	Within one year	5.23	36,931.60
Guangzhou Shipyard International Company Limited	Current amount	7,386,010.58	Within one year	5.23	36,930.05
Guangxin Shipbuilding & Heavy Industry Co. Ltd. (廣新海事重工股份有限公司)	Refundable deposits	4,000,000.00	1-2 years	2.83	20,000.00
Total		66,298,509.33		-	331,492.54

(7) Other receivables related to government grants

None

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

None

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

None

(10) Advance to employees receivable

None

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From 1 January 2020 to 30 June 2020

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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	570,028,355.61	2,278,378.70	567,749,976.91	1,124,254,389.19	24,232,953.64	1,100,021,435.55
Work in progress	887,466,537.75		887,466,537.75	532,807,375.07	60,449,211.61	472,358,163.46
Finished goods				27,764,003.62		27,764,003.62
Contract performance cost	2,385,215,624.35	298,240,713.43	2,086,974,910.92	2,964,277,662.49	248,512,571.37	2,715,765,091.12
Goods in transit	56,959.18		56,959.18	28,898,298.75		28,898,298.75
Total	3,842,767,476.89	300,519,092.13	3,542,248,384.76	4,678,001,729.12	333,194,736.62	4,344,806,992.50

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

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision made	Others	Reversal or writing-off	Other transfer-out	
Raw materials	24,232,953.64	445,689.13		445,689.13	21,954,574.94	2,278,378.70
Work in progress	60,449,211.61				60,449,211.61	
Finished goods		286,613.34		286,613.34		
Contract performance cost	248,512,571.37	21,839,407.45	60,449,211.61	3,886,524.46	28,673,952.54	298,240,713.43
Goods in transit						
Total	333,194,736.62	22,571,709.92	60,449,211.61	4,618,826.93	111,077,739.09	300,519,092.13

3. Provision for impairment of inventories made

Item	Basis for determination of net realisable value	Reason for reversal or offsetting during the period
Raw materials	Book cost higher than net realisable value (estimated disposal 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 capitalised borrowing costs included in ending balance of Inventory was RMB5,000,000.00, in which Huangpu Wenchong product special loan interest capitalization amount was RMB5,000,000.00.

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

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

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From 1 January 2020 to 30 June 2020

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(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	4,252,367,499.28		4,252,367,499.28	5,685,032,733.14		5,685,032,733.14
Contract assets related to offshore engineering products	433,546,917.55		433,546,917.55	424,128,664.25		424,128,664.25
Contract assets related to steel structures	374,636,870.39		374,636,870.39	227,223,965.73		227,223,965.73
Total	5,060,551,287.22		5,060,551,287.22	6,336,385,363.12		6,336,385,363.12

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

Item	Amount of change	Reason for change
Contract assets relating to shipbuilding	-1,432,665,233.86	The contract is being performed and the date of recognition of contract revenue recognised based on contract performance progress is earlier or later than the date of receipt of consideration on due date. GSI ceased to be consolidated during the period, resulting in material changes during the current period.
Contract assets relating to offshore engineering products	9,418,253.30	
Contract assets relating to steel structure engineering	147,412,904.66	
Total	-1,275,834,075.90	

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

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

(9) Assets held-for-sale

Item	Ending balance	Provision for impairment	Book value at the end of the period	Fair value	Estimated disposal cost	Estimated disposal time
49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited	641,647,147.54		641,647,147.54	963,831,800.00	576,255.52	10 September 2020
Total	641,647,147.54		641,647,147.54	963,831,800.00	576,255.52	-

According to the resolution in relation to the transfer of the 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited approved at the second extraordinary general meeting of 2020 held on 24 April 2020, whereby the Company shall transfer the 49% equity interests held in Chengxi Yangzhou to CSSC Holdings and CSSC Chengxi Shipbuilding Co., Ltd. ("CSSC Chengxi") by way of agreement at the total transaction price of RMB963,831,800, of which, CSSC Holdings and CSSC Chengxi will acquire 24% and 25% equity interests of Chengxi Yangzhou, respectively, at the transaction price of RMB472,080,900 and RMB491,750,900, respectively. As at the date of this report, the Company, CSSC Holdings and CSSC Chengxi have not yet completed the equity delivery procedures, and it is expected that the equity delivery will be completed before 10 September 2020.

(10) Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Long-term receivables due within one year		667,000,000.00	
Entrusted loan due within one year		25,000,000.00	
Total		692,000,000.00	

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(11) Other current assets

Item	Ending balance	Beginning balance	Remarks
Short-term entrusted financial management	720,000,000.00		Note
Value-added input tax credit	496,188,112.24	318,300,110.73	
Prepaid enterprise income tax	32,610,534.24	32,550,785.04	
Total	1,248,798,646.48	350,850,895.77	

Note: Breakdown of short-term entrusted financial management:

Client	Entrusted party	Amount	Commencement time	End time
CSSC Offshore & Marine Engineering (Group) Company Limited	CSSC Finance Company Limited	70,000,000.00	2020/3/26	2021/3/25
CSSC Huangpu Wenchong Shipbuilding Company Limited	CSSC Finance Company Limited	100,000,000.00	2020/4/14	2020/7/14
Guangzhou Wenchong Shipyard Co., Ltd.	CSSC Finance Company Limited	50,000,000.00	2020/5/11	2020/11/11
Guangzhou Wenchong Shipyard Co., Ltd.	CSSC Finance Company Limited	300,000,000.00	2020/5/14	2020/11/17
Guangzhou Wenchong Shipyard Co., Ltd.	CSSC Finance Company Limited	200,000,000.00	2020/6/11	2020/12/11
Total		720,000,000.00	-	-

Other explanations:

The Company and its subsidiaries, Huangpu Wenchong and Wenchong Shipyard have entered into the "CSSC Finance Company Limited Entrusted Asset Management Contract" with CSSC Finance Company Limited ("CSSC Finance Company") and entrusted the funds to CSSC Finance Company. The entrusted investment object of CSSC Finance Company are: central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bonds, medium-term notes, bank wealth management products, brokerage asset management plans, currency funds, and bond funds and deposits as well as other varieties.

(12) 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	2,274,370,404.32	118,791,811.18	2,155,578,593.14	2,400,500,856.47	119,060,692.52	2,281,440,163.95	4%-8%
Compensation for assets relocation				427,369,289.39	5,672,178.78	421,697,110.61	3.07%
Total	2,274,370,404.32	118,791,811.18	2,155,578,593.14	2,827,870,145.86	124,732,871.30	2,703,137,274.56	

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2. Provision for bad debts made

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 2020		5,941,060.12	118,791,811.18	124,732,871.30
Balance as at 1 January 2020 of long-term receivables and during the period	-	-	-	-
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the period		-95.31		-95.31
Reversed during the period				
Offset during the period				
Written off during the period				
Other changes		-5,940,964.81		-5,940,964.81
Balance as at 30 June 2020			118,791,811.18	118,791,811.18

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

None

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
BUSS	10,235,590.09	640,167.11	6.25	
Shenzhen Shunchang Ocean Fishery Co., Ltd.	16,628,000.00	10,876,800.00	65.41	
ZHONGXIN MARINE COMPANY LIMITED	106,985,546.40	34,792,076.60	32.52	
SHAOSHAN EIGHT SHIPPING LIMITED	136,447,216.73	29,395,778.58	21.54	
Guangdong Yuanyang Transportation Co., Ltd.	141,351,968.44	29,850,393.69	21.12	
LOMAR Shipping	197,685,993.39	13,236,595.20	6.70	
Total	609,334,315.05	118,791,811.18	-	-

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

3. Long-term receivables derecognised arising from transfer of financial assets:

None.

4. Amounts of assets and liabilities transferred from long-term receivables with continuing involvement:

None.

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(13) Long-term equity investments

1. Breakdown of long-term equity investments

Investee	Beginning balance	Increase in investment	Decrease in investment	Change for the period				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		
Sub-total of Joint ventures	51,523,979.27	27,901,825.00		249,194.26				-79,674,998.53	
Guangzhou Zhongdan Ship Design Co., Ltd.	1,215,232.17			-290,911.57				-924,320.60	
Nantang Environment Co., Ltd.	50,308,747.10	27,901,825.00		540,105.83				-78,750,677.93	
Subtotal of associates	702,171,059.45	4,840,115,654.18	4,000,000.00	-6,682,165.72	-95,851.03	-110,485.07		-710,479,394.53	4,820,918,817.28
Guangzhou Shipyard International Company Limited		4,825,615,654.18		-8,268,539.33	-95,851.03	-120,372.52			4,817,130,897.30
CSSC Chengde Yangzhou Shipbuilding Company Limited	641,426,288.34			220,859.20				-641,647,147.54	
CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	2,597,299.25			1,190,620.73					3,787,919.98
Zhenjiang Modern Power Generation Equipment Co., Ltd.	45,961,492.72			3,069.84		9,887.45		-45,974,450.01	
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	3,818,768.45			900.37				-3,819,668.82	
Maiyu Environmental Technology (HK) Co., Ltd.	8,367,210.69							-8,367,210.69	
Guangzhou Nanhuan Environmental Service Co., Ltd.		6,000,000.00	4,000,000.00	453,499.98				-2,453,499.98	
Guangzhou Ship Environmental Technology Co., Ltd.		8,500,000.00		-282,582.51				-8,217,417.49	
Total	753,695,038.72	4,868,017,479.18	4,000,000.00	-6,432,971.46	-95,851.03	-110,485.07		-790,154,393.06	4,820,918,817.28

Note: Guangzhou Shipyard International Co., Ltd. was converted from a subsidiary to an associate on 1 March 2020, adopting the equity method for accounting. See Note VII (2) for details.

2. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	4,820,918,817.28	753,695,038.72
Total	4,820,918,817.28	753,695,038.72

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(14) Investments in other equity instruments

1. Information on investments in other equity instruments

Item	Ending balance	Beginning balance
Investments in other equity instruments	3,829,873,557.03	71,248,734.49
Including: At fair value through other comprehensive income	3,829,873,557.03	71,248,734.49
Total	3,829,873,557.03	71,248,734.49

2. Analysis of other equity instruments

Item	Ending balance	Beginning balance
Listed	3,795,913,607.80	6,556,991.46
Including: China (except Hong Kong)	3,795,913,607.80	6,556,991.46
Unlisted	33,959,949.23	64,691,743.03
Total	3,829,873,557.03	71,248,734.49

3. Breakdown of other equity instruments

Item	Ending balance			Beginning balance		
	Book cost	Change in fair value	Carrying value	Book cost	Change in fair value	Carrying value
Sub-total of listed	2,859,038,697.30	936,874,910.50	3,795,913,607.80	8,081,043.86	-1,524,052.40	6,556,991.46
Chongqing Iron and Steel Bank of Communications	1,155,497.30	1,646,775.46	2,802,272.76	6,925,546.56	-3,443,953.86	3,481,592.70
CSSC	2,857,883,200.00	935,228,135.04	3,793,111,335.04	1,155,497.30	1,919,901.46	3,075,398.76
Sub-total non-listed	8,314,465.46	25,645,483.77	33,959,949.23	30,250,559.74	34,441,183.29	64,691,743.03
CSSC Finance Company Limited	5,828,000.00	21,259,791.31	27,087,791.31	5,828,000.00	21,135,546.68	26,963,546.68
Huangpu Hongshan Community Health Service Center	1,200,000.00	1,354,039.73	2,554,039.73	1,200,000.00	1,540,941.91	2,740,941.91
China Shipbuilding IT Co., Ltd.	800,000.00	2,595,030.50	3,395,030.50	1,700,000.00	5,178,968.12	6,878,968.12
CSIC Yuanzhou (Beijing) Science & Technology Co., Ltd.				1,000,000.00	5,442,251.01	6,442,251.01
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46	404,928.66	784,969.12	380,040.46	1,507,494.46	1,887,534.92
Guangzhou Xinzhou Service Co., Ltd.	106,425.00	31,693.57	138,118.57	106,425.00	-44,279.16	62,145.84
CSSC Liner Technology Development Co., Ltd.				20,036,094.28	-319,739.73	19,716,354.55
CSSC Heavy Equipment Co., Ltd.						
Nanjing Tongchuang Computer Co., Ltd.						
Total	2,867,353,162.76	962,520,394.27	3,829,873,557.03	38,331,603.60	32,917,130.89	71,248,734.49

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

Item	Dividend income recognised during the period	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Sub-total of listed		936,874,910.50				
CSSC		935,228,135.04			Investments not held for trading	
Bank of Communications		1,646,775.46			Investments not held for trading	
Sub-total of unlisted	12,500.00	25,645,483.77				
CSSC Finance Company Limited		21,259,791.31			Investments not held for trading	
China Shipbuilding IT Co., Ltd.		2,595,030.50			Investments not held for trading	
Huangpu Hongshan Community Health Service Center		1,354,039.73			Investments not held for trading	
Guangzhou Wenchuan Industrial Co., Ltd.		404,928.66			Investments not held for trading	
Guangzhou Xinzhou Service Co., Ltd.	12,500.00	31,693.57			Investments not held for trading	
CSSC Liner Technology Development Co., Ltd.					Investments not held for trading	
Nanjing Tongchuang Computer Co., Ltd.					Investments not held for trading	
Total	12,500.00	962,520,394.27				

(15) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance	29,171,739.00	29,171,739.00
2. Increase for the period		
3. Decrease for the period	29,171,739.00	29,171,739.00
Decrease in Scope of consolidation	29,171,739.00	29,171,739.00
4. Ending balance		
II. Accumulated depreciation and amortisation		
1. Beginning balance	8,177,799.64	8,177,799.64
2. Increase for the period	104,785.35	104,785.35
(1) Provision made or amortisation	104,785.35	104,785.35
3. Decrease for the period	8,282,584.99	8,282,584.99
of which: reduction in scope of consolidation	8,282,584.99	8,282,584.99
4. Ending balance		
III. Carrying value		
1. Carrying value at the end of the period		
2. Carrying value at the beginning of the period	20,993,939.36	20,993,939.36

Other explanations:

- The depreciation and amortisation of investment properties recognised in profit or loss during the period is RMB104,785.35 (last period: RMB314,356.08).
- The provision for impairment of investment properties made for the period is RMB0.00 (last period: RMB0).
- Investment properties analysed by region and ageing are as follows:

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

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2. Investment properties without property ownership certificates

None

(16) Fixed assets

Item	Ending balance	Beginning balance
Fixed assets	3,866,242,563.50	11,436,680,670.98
Disposal of fixed assets	4,612,470.24	3,248,018.71
Total	3,870,855,033.74	11,439,928,689.69

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	10,807,615,398.51	5,881,529,503.89	1,156,875,264.30	461,431,877.68	18,307,452,044.38
2. Increase for the period	9,402,040.17	40,351,799.61	465,251.48	11,572,531.07	61,791,622.33
(1) Additions		3,496,577.60	139,496.31	92,446.23	3,728,520.14
(2) Transfer from construction in progress	9,402,040.17	12,598,787.10	259,375.86	10,912,185.12	33,172,388.25
(3) Transfer of inventories					
(4) Increase in scope of consolidation		24,256,434.91	66,379.31	567,899.72	24,890,713.94
3. Decrease for the period	7,762,788,362.06	3,706,683,410.12	175,470,713.19	293,696,582.86	11,938,639,068.23
(1) Disposal or retirement	199,851.63	33,252,076.16	4,041,100.04	10,635,125.25	48,128,153.08
(2) Reduction of consolidation scope	7,762,588,510.43	3,673,431,333.96	171,429,613.15	283,061,457.61	11,890,510,915.15
4. Ending balance	3,054,229,076.62	2,215,197,893.38	981,869,802.59	179,307,825.89	6,430,604,598.48
II. Accumulated depreciation					
1. Beginning balance	3,011,932,182.66	3,120,079,178.69	350,583,663.28	314,861,990.30	6,797,457,014.93
2. Transfer of inventories	88,067,447.95	84,138,033.28	18,611,402.66	15,955,647.31	206,772,531.20
(1) Provision made	88,067,447.95	83,055,935.34	18,602,731.90	15,790,954.99	205,517,070.18
(2) Increase in scope of consolidation		1,082,097.94	8,670.76	164,692.32	1,255,461.02
3. Decrease in current period	2,132,732,633.76	2,042,135,807.46	141,507,142.26	193,844,427.85	4,510,220,011.33
(1) Disposal or retirement	199,851.63	29,284,858.02	3,768,963.29	10,061,594.97	43,315,267.91
(2) Decrease in scope of consolidation	2,132,532,782.13	2,012,850,949.44	137,738,178.97	183,782,832.88	4,466,904,743.42
4. Ending balance	967,266,996.85	1,162,081,404.51	227,687,923.68	136,973,209.76	2,494,009,534.80
III. Provision for impairment					
1. Beginning balance		5,783,894.64	67,424,958.03	105,505.80	73,314,358.47
2. Increase for the period					
(1) Transfer from provision for impairment of inventories					
(2) Increase in scope of consolidation					
3. Decrease for the period		2,941,797.71		20,060.58	2,961,858.29
(1) Disposal or retirement				20,060.58	20,060.58
(2) Decrease in scope of consolidation		2,941,797.71			2,941,797.71
4. Ending balance		2,842,096.93	67,424,958.03	85,445.22	70,352,500.18
IV. Carrying value					
1. Carrying value at the end of the period	2,086,962,079.77	1,050,274,391.94	686,756,920.88	42,249,170.91	3,866,242,563.50
2. Carrying value at the beginning of the period	7,795,683,215.85	2,755,666,430.56	738,866,642.99	146,464,381.58	11,436,680,670.98

Other explanations:

The depreciation of fixed assets recognised in profit or loss during the period is RMB205,517,070.18 (last period: RMB363,588,104.88);

Included in fixed assets added during the period is transfer from construction in progress of RMB33,172,388.25.

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(2) Fixed assets leased through finance leases

None.

(3) Fixed assets leased out through operating leases

Item	Carrying value
Buildings and structures	22,161,928.42
Transportation vehicles	625,076,129.61
Total	647,238,058.03

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

Item	Ending balance	Beginning balance
Within China	2,086,962,079.77	7,781,914,977.33
Medium term (10-50 years)	2,061,717,826.60	7,621,132,139.25
Short term (within 10 years)	25,244,253.17	160,782,838.08
Outside China		13,768,238.52
Medium term (10-50 years)		13,768,238.52
Total	2,086,962,079.77	7,795,683,215.85

(5) Fixed assets without property ownership certificates

As at the end of the period, included in fixed assets were properties with carrying amount of RMB382,537,555.54 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
Steel pretreatment cutting workshop and other workshops	132,071,789.48	In the process of obtaining ownership certificates
Hull joint Workshop	82,577,419.89	In the process of obtaining ownership certificates
Component welding workshop	66,099,682.95	In the process of obtaining ownership certificates
Expansion of the processing workshop	59,275,997.56	In the process of obtaining ownership certificates
Processing workshop expansion steel structure project	38,659,574.32	In the process of obtaining ownership certificates
Sanding and coating workshop	3,853,091.34	In the process of obtaining ownership certificates
Total	382,537,555.54	—

2. Disposal of fixed assets

Item	Ending balance	Beginning balance
Machinery and equipment	4,612,470.24	3,248,018.71
Total	4,612,470.24	3,248,018.71

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(17) Construction in progress

Item	Ending carrying value	Beginning carrying value
Construction in progress	825,364,482.41	1,181,944,326.01
Total	825,364,482.41	1,181,944,326.01

1. 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
Project 8	143,751,423.48		143,751,423.48	134,075,878.75		134,075,878.75
Investment projects	138,329,716.71		138,329,716.71	127,216,847.87		127,216,847.87
Project 9	138,852,230.99		138,852,230.99	99,553,031.99		99,553,031.99
Project 7	41,931,322.27		41,931,322.27	64,178,271.47		64,178,271.47
Platform project				56,144,032.90		56,144,032.90
Workers' dormitory phase II				40,562,343.37		40,562,343.37
Residential project for workers				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	33,135,547.82		33,135,547.82
Construction of residential for workers				22,370,827.65		22,370,827.65
Offshore engineering project phase I	19,514,035.90		19,514,035.90	19,291,421.14		19,291,421.14
Special payment for Shenzhen-Zhongshan Bridge				17,852,283.46		17,852,283.46
Project 5	13,293,218.62		13,293,218.62	14,752,521.60		14,752,521.60
Project 3	12,923,609.12		12,923,609.12	12,923,609.12		12,923,609.12
Other projects	247,981,628.15		247,981,628.15	108,779,850.95		108,779,850.95
Total	825,364,482.41		825,364,482.41	1,181,944,326.01		1,181,944,326.01

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2. Changes in material construction in progress

Name of project	Beginning balance	Increase for the period	Decrease for the period		Ending balance
			Transfer to fixed assets	Other decrease	
Nansha Plant upgrading project	358,124,618.17	56,582,543.16		414,707,161.33	
Project 8	134,075,878.75	14,210,550.55	4,535,005.82		143,751,423.48
Investment projects	127,216,847.87	19,769,645.47	8,656,776.63		138,329,716.71
Project 9	99,553,031.99	39,720,437.95	421,238.95		138,852,230.99
Project 7	64,178,271.47	100.00	8,586,857.74	13,660,191.46	41,931,322.27
Workers' dormitory phase II	40,562,343.37	68,091.66		40,630,435.03	
Residential project	35,651,749.35				35,651,749.35
Offshore platform project	33,135,547.82				33,135,547.82
Offshore engineering project phase I	19,291,421.14	222,614.76			19,514,035.90
Special payment for Shenzhen-Zhongshan Bridge	17,852,283.46			17,852,283.46	
Project 5	14,752,521.60	4,945.13	1,464,248.11		13,293,218.62
Project 3	12,923,609.12				12,923,609.12
Total	957,318,124.11	130,578,928.68	23,664,127.25	486,850,071.28	577,382,854.26

Note: Other decreases are due to the loss of control of some shares of GSI after the Company disposes of it, and it is no longer included in the scope of consolidation and transferred out.

(Continued)

Name of project	Budget amount	Ratio of project investment to budget (%)	Project progress	Accumulated interest capitalised	Of which: Interest capitalised during the period	Interest capitalisation ratio for the period (%)	Source of funding
Nansha Plant upgrading project	1,333,760,000.00	63.00	Under construction	6,644,240.76			Self-financed
Project 8	453,000,000.00	77.00	Under construction				State-subsidized/ Self-financed
Investment projects	653,000,000.00	82.00	Under construction				Self-financed/loan
Project 9	216,900,000.00	63.00	Under construction				State-subsidized/ Self-financed
Project 7	424,940,000.00	100.00	Under construction	6,066,078.94			State-subsidized/ loan/Self-financed
Workers' dormitory phase II	82,520,000.00	49.00	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	43.00	Under construction	22,039,060.45			Self-financed/loan
Offshore engineering project phase I	770,000,000.00	91.00	Under construction	65,765,865.93			Self-financed/loan
Special payment for Shenzhen-Zhongshan Bridge	47,200,000.00	38.00	Under construction				Self-financed
Project 5	119,420,000.00	100.00	Under construction	3,045,377.25			State-subsidized/ Self-financed
Project 3	278,630,000.00	93.00	Under construction	24,728,995.32			Self-financed/loan
Total	4,948,990,000.00	-	-	133,610,768.46	-	-	

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(18) Right-of-use assets

Item	Buildings and structures	Machines and equipment	Total
I. Original carrying amount			
1. Beginning balance	177,352,867.16	24,514,647.65	201,867,514.81
2. Increase for the period	32,465,847.39		32,465,847.39
(1) Increase in leases	32,465,847.39		32,465,847.39
3. Decrease for the period	44,839,856.89	24,326,063.68	69,165,920.57
(1) Decrease in scope of consolidation	44,839,856.89	24,326,063.68	69,165,920.57
4. Ending balance	164,978,857.66	188,583.97	165,167,441.63
II. Accumulated depreciation			
1. Beginning balance	36,243,466.84	16,272,684.96	52,516,151.80
2. Increase for the period	14,135,785.99	123,587.54	14,259,373.53
(1) Provision made	14,135,785.99	123,587.54	14,259,373.53
3. Decrease for the period	14,161,113.08	16,279,951.28	30,441,064.36
(1) Decrease in scope of consolidation	14,161,113.08	16,279,951.28	30,441,064.36
4. Ending balance	36,218,139.75	116,321.22	36,334,460.97
III. Book value			
1. Ending book value	128,760,717.91	72,262.75	128,832,980.66
2. Beginning book value	141,109,400.32	8,241,962.69	149,351,363.01

Other explanations: The depreciation of right-of-use assets recognized in the profit and loss during the period is RMB14,259,373.53 (last period: RMB26,287,149.55).

(19) Intangible assets

1. Breakdown of intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	2,252,800,477.02	145,232,000.00	269,225,626.26	3,422,934.00	2,670,681,037.28
2. Increase for the period			13,859,642.79		13,859,642.79
(1) Additions			13,660,191.46		13,660,191.46
(2) increase in scope of consolidation			199,451.33		199,451.33
3. Decrease for the period	1,407,428,549.56	145,232,000.00	197,163,947.26	2,359,259.00	1,752,183,755.82
(1) decrease in scope of consolidation	1,407,428,549.56	145,232,000.00	197,163,947.26	2,359,259.00	1,752,183,755.82
4. Ending balance	845,371,927.46		85,921,321.79	1,063,675.00	932,356,924.25
II. Accumulated amortisation					
1. Beginning balance	390,945,189.39	31,224,879.57	175,888,796.21	48,635.12	598,107,500.29
2. Increase for the period	13,194,746.01		3,917,081.22	4,292.58	17,116,119.81
(1) Provision made	13,194,746.01		3,900,460.31	4,292.58	17,099,498.90
(2) increase in scope of consolidation			16,620.91		16,620.91
3. Decrease for the period	271,235,481.21	31,224,879.57	139,245,908.39		441,706,269.17
(1) decrease in scope of consolidation	271,235,481.21	31,224,879.57	139,245,908.39		441,706,269.17
4. Ending balance	132,904,454.19		40,559,969.04	52,927.70	173,517,350.93
III. Carrying value					
1. Carrying value at the end of the period	712,467,473.27		45,361,352.75	1,010,747.30	758,839,573.32
2. Carrying value at the beginning of the period	1,861,855,287.63	114,007,120.43	93,336,830.05	3,374,298.88	2,072,573,536.99

Other explanations:

- (1) There were no intangible assets arising from internal research and development of the Company during the period.
- (2) The depreciation and amortisation of intangible assets recognised in profit or loss during the period is RMB17,099,498.90 (last period: RMB31,133,922.41).

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

Item	Ending balance	Beginning balance
Within China	712,467,473.27	1,861,855,287.63
Medium term (10-50 years)	712,467,473.27	1,861,855,287.63
Total	712,467,473.27	1,861,855,287.63

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

None

(20) Goodwill

Original carrying amount of goodwill

Name of investee	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Wenchong Dockyard	144,231,195.67		144,231,195.67	
Total	144,231,195.67		144,231,195.67	

Other explanations: The goodwill was transferred out due to the loss of control after the Company's disposal of part of the equity interests in GSI.

(21) Long-term prepaid expenses

Item	Beginning balance	Increase for the period	Amortisation for the period	Other decreases for the period	Ending balance
Wenchong construction channel dredging project	41,592,958.15		175,505.76	41,417,452.39	
Wenchong repair tooling	12,928,161.40		478,820.78	12,449,340.62	
Yonglian steel structure assets reform cost	8,465,996.35		381,048.68	8,084,947.67	
13-metre beam of Huangpu Shipyard Division	5,657,407.43		361,111.34		5,296,296.09
Longxue Pipe Industry Phase II Plant renovation expenses	1,879,744.67		179,023.32	1,700,721.35	
GS launching barge track tooling	1,713,329.10		244,761.30	1,468,567.80	
Others	3,354,927.56	1,805,852.39	388,193.17	4,163,461.83	609,124.95
Total	75,592,524.66	1,805,852.39	2,208,464.35	69,284,491.66	5,905,421.04

Other explanations: Other decreases are due to the loss of control of some shares of GSI after the Company disposes of it in February 2020, and it is no longer included in the scope of consolidation and transferred out.

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From 1 January 2020 to 30 June 2020

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

(22) 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	1,133,032,858.19	208,414,252.40	1,174,440,038.72	214,625,329.47
Provision for impairment of assets	470,272,050.49	71,224,488.45	491,229,400.30	77,961,630.22
Estimated liabilities	234,059,729.42	36,784,914.19	276,737,550.32	42,330,894.48
Payroll for retiring employees	170,560,000.00	25,584,000.00	170,560,000.00	25,584,000.00
Change in fair value of financial assets held-for-trading	109,244,763.92	16,386,714.59	113,048,791.03	16,984,401.54
Difference in the time of amortisation of long-term prepaid expenses	1,328,042.46	332,010.62	1,665,794.32	416,448.58
Total	2,118,497,444.48	358,726,380.25	2,227,681,574.69	377,902,704.29

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	4,180,994.91	627,149.24	12,197,217.11	1,829,582.57
Change in fair value of investments in equity instruments	980,363,839.15	240,577,389.38	49,100,049.48	7,365,007.42
Timing difference arising from depreciation methods of fixed assets	1,979,714.06	326,652.82	2,923,337.45	320,337.48
Total	986,524,548.12	241,531,191.44	64,220,604.04	9,514,927.47

3. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	67,861,465.08	299,832,006.35
Deductible tax loss	817,783,160.91	4,191,332,921.89
Total	885,644,625.99	4,491,164,928.24

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

Years	Ending balance	Beginning balance
2019		15,318,882.54
2020	328,054,955.11	389,601,029.28
2021	51,262,939.86	242,021,105.10
2022	1,033,109.02	116,087,719.51
2023	22,228,646.89	957,111,518.54
2024	30,902,123.98	992,260,791.61
2025	75,940,586.79	
2026		728,610,051.67
2027	10,912,447.85	10,912,447.85
2028	21,800,282.56	602,385,030.76
2029	233,487.78	137,024,345.03
2030	275,414,581.07	
Total	817,783,160.91	4,191,332,921.89

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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(23) Other non-current assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	17,410,962.77	75,080,399.67
Advances for non-current assets	60,571,832.75	2,939,089.67
Total	77,982,795.52	78,019,489.34

Other explanations: 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.

(24) Short-term borrowings

Breakdown of short-term borrowings

Type of borrowings	Ending balance	Beginning balance
Guaranteed borrowings	428,242,326.39	1,220,000,000.00
Credit loans	2,032,113,555.54	4,927,082,148.56
Total	2,460,355,881.93	6,147,082,148.56

Other explanations:

As at the end of the period, Huangpu Wenchong provided guarantee for Wenchong Shipyard for RMB 425,000,000.00.

As at the end of the period, there were no short-term loans overdue and outstanding.

As at the end of the period, the weighted average annual interest rate of short-term borrowings was 2.3185%.

(25) Financial liabilities held-for-trading

Item	Ending balance	Beginning balance
Designated as financial liabilities measured at fair value and whose changes are included in the current profit and loss	109,244,763.92	221,737,672.75
Including: Forward exchange contracts	109,244,763.92	221,737,672.75
Total	109,244,763.92	221,737,672.75

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

(26) Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	833,254,162.27	2,723,458,661.24
Commercial acceptance bills	107,756,918.79	339,956,340.43
Total	941,011,081.06	3,063,415,001.67

Other explanations:

Total notes payable due and unpaid as at the end of the period amounted to RMB0 (RMB0 as at the beginning of the period);

Among the above notes payable of the Group as at the end of the period, RMB824,749,674.56 had an ageing of less than 180 days, and RMB116,261,406.50 had an ageing of 181-360 days.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(27) Accounts payable

1. Breakdown of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	2,880,291,048.77	5,215,181,835.65
Payment for projects under construction	140,059,126.48	314,301,192.54
Balance of product payment	42,428,792.65	274,200,204.00
Retention money	635,138,544.86	1,037,723,660.38
Other construction and labour services	871,749,911.09	1,845,991,006.18
Total	4,569,667,423.85	8,687,397,898.75

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	2,352,998,311.96	6,160,619,081.93
1-2 years	673,873,582.69	1,230,596,212.92
2-3 years	540,658,007.36	779,736,568.28
Over 3 years	1,002,137,521.13	516,446,035.62
Total	4,569,667,423.14	8,687,397,898.75

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.	654,273,377.78	133,011,802.28	Warranty and account payable
CSSC Systems Engineering Research Institute	374,071,991.46	297,343,960.69	Warranty and account payable
WARTSILA FINLAND OY	170,315,573.66	122,070,577.31	Account payable
China Shipbuilding Industry Corporation 704 Research Institute	118,791,955.77	85,597,476.11	Warranty, account payable and construction in progress
Aviation Technology Research Institute of China Aerospace Science and Industry	113,274,200.00	69,484,200.00	Warranty and account payable
Nanjing Keruida Electronic Equipment Co., Ltd.	95,811,999.99	64,381,999.99	Warranty and account payable
Department of Science and Technology of the 92857 Unit of the Chinese People's Liberation Army	45,105,000.00	45,105,000.00	Warranty and account payable
AL NEHRA PETROME FZE	45,017,175.95	45,017,175.95	Warranty
Wenzhou Bohong Electric Co., Ltd.	39,796,740.00	37,489,146.86	Warranty and account payable
Lu dong Heavy Machinery Co., Ltd.	31,854,603.83	31,854,603.83	Warranty and account payable
Total	1,688,312,618.44	931,355,943.02	-

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

(28) Advance from customers

Item	Ending balance	Beginning balance
Advance receivable of equity transfer	491,554,218.00	
Total	491,554,218.00	

Other explanations: The advance receivable of equity transfer is the advance payment received by the Company for the equity transfer of CSSC Chengxi. For details, please refer to Note 6(9).

(29) Contract liabilities

1. Information on contract liabilities

Item	Ending balance	Beginning balance
Shipbuilding products	4,483,405,044.60	7,512,029,727.44
Offshore engineering products		29,338,996.42
Steel structures	40,626,070.37	24,326,983.67
Ship maintenance and modification	2,609,910.00	621,765,500.92
Electro-mechanical products and others	704,928,220.81	300,685,178.17
Total	5,231,569,245.78	8,488,146,386.62

Other explanations: The income included in the beginning carrying value was recognised as RMB775,473,859.01 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	-3,028,624,682.84	There was a difference between the collection progress and the progress of revenue confirmation. GSI will no longer be consolidated in the Company after the disposal of certain equity during the period, resulting in the decrease in the balance of contract liabilities
Offshore engineering products	-29,338,996.42	
Steel structures	16,299,086.70	
Ship maintenance and modification	-619,155,590.92	
Electro-mechanical products and others	404,243,042.64	
Total	-3,256,577,140.84	-

(30) Employee benefits payable

1. Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term remuneration	40,446,901.64	1,352,709,863.43	1,327,505,660.49	65,651,104.58
Post-employment benefits – defined contribution plans		33,123,940.96	33,123,940.96	
Termination benefits		1,694,149.06	1,694,149.06	
Total	40,446,901.64	1,387,527,953.45	1,362,323,750.51	65,651,104.58

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

2. Short-term remuneration

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Salaries, bonuses, allowances and subsidies		507,805,692.51	452,579,881.70	55,225,810.81
Employee benefits	4,932,421.30	20,938,305.94	21,821,365.80	4,049,361.44
Social insurance contribution		30,310,981.32	30,310,981.32	
Including: Medical insurance contribution		25,639,332.13	25,639,332.13	
Work-related injury insurance contribution		392,541.82	392,541.82	
Maternity insurance contribution		4,279,107.37	4,279,107.37	
Others				
Housing fund		60,193,315.98	60,193,315.98	
Labour union & employee education funds	32,233,053.63	14,519,844.55	40,376,965.85	6,375,932.33
Outsourcing labour costs and others	3,281,426.71	718,941,723.13	722,223,149.84	
Total	40,446,901.64	1,352,709,863.43	1,327,505,660.49	65,651,104.58

3. Defined contribution plans

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

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

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Basic pension insurance		31,917,570.82	31,917,570.82	
Unemployment insurance contribution		1,206,370.14	1,206,370.14	
Total		33,123,940.96	33,123,940.96	

Other explanations: The defined benefit plan contributions payable by the Group for the period amounted to RMB33,123,940.96 (last period: RMB107,403,232.01). As at the end of the period, the contribution payable of the Group had been paid when due during the Reporting Period (as at the beginning of the period: RMB0).

(31) Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	321,064.72	29,936,343.15
Enterprise income tax	14,351,454.31	15,052,609.15
City maintenance and construction tax	21,994.52	2,831,822.25
Property tax	349,243.41	234,491.98
Individual income tax	696,296.91	19,407,321.10
Educational surcharge	15,710.37	1,982,622.92
Other taxes	195,795.45	2,789,353.24
Total	15,951,559.69	72,234,563.79

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(32) Other payables

Item	Ending balance	Beginning balance
Interest payable		35,332,096.80
Dividends payable	304,042.49	394,042.49
Other payables	156,606,880.50	309,155,631.32
Total	156,910,922.99	344,881,770.61

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
Interest payable on short-term borrowings		31,850,414.25
Total		35,332,096.80

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

2. Dividends payable

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

3. Other payables

(1) Other payables by nature

Nature of payment	Ending balance	Beginning balance
Deposits received	44,798,683.36	95,646,947.29
Withholding amount for employees	27,939,632.37	45,142,854.71
Payables for temporary receipts	83,868,564.77	168,365,829.32
Total	156,606,880.50	309,155,631.32

(2) Significant other payables aged over one period

Name of entity	Ending balance	Reason for unsettlement or carrying forward
China Rescue and salvage of Ministry of Transport of the PRC	3,157,183.29	Accounts received and paid by shareholders
China Shipbuilding NDRI Engineering Co., Ltd.	2,108,710.00	Performance bonds
DIG Automation Engineering (Wuhan) Co., Ltd.	1,719,700.00	Performance bonds
No. 5 Engineering Company of CCCC First Harbor Engineering Co. Ltd.	1,052,580.00	Performance bonds
Nanjing Guorui Xinwei Software Co., Ltd.	1,002,190.00	Performance bonds
Hubei Sanjiang Space Wanshan Special Vehicle Co., Ltd	998,000.00	Performance bonds
Guangxi Construction Engineering Group Metallurgical Construction Co., Ltd.	800,000.00	Performance bonds
Jiangxi Zhongzhan Industrial Co., Ltd.	701,500.00	Labour bonds
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	701,000.00	Labour bonds
Suining Antaide Ship Engineering Co., Ltd.	500,500.00	Labour bonds
Total	12,741,363.29	–

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(33) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	2,196,175,652.77	2,239,900,000.00
Lease liabilities due within one year	22,427,860.47	42,028,067.24
Total	2,218,603,513.24	2,281,928,067.24

(34) Other current liabilities

Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Endorsed but not due acceptance bill	60,177,701.32	
Advances from customers for shipbuilding orders cancelled	53,909,877.13	53,909,877.13
Output value-added tax payable	48,501,410.04	9,327,464.75
Total	162,588,988.49	63,237,341.88

(35) Long-term borrowings

Type of borrowings	Ending balance	Beginning balance
Guaranteed borrowings	175,090,902.78	600,000,000.00
Credit loans	5,074,629,087.73	7,689,657,000.00
Total	5,249,719,990.51	8,289,657,000.00
The carrying amount of the above borrowings shall be repaid:		
Within one year	2,197,519,990.51	2,239,900,000.00
Over one year but less than two years after balance sheet date	1,580,000,000.00	4,120,000,000.00
Over two years but less than five years after balance sheet date	180,000,000.00	220,000,000.00
Over five years after balance sheet date	1,292,200,000.00	1,709,757,000.00
Less: Amount due within one year, as shown under current liabilities	2,196,175,652.77	2,239,900,000.00
Amount shown under non-current liabilities	3,053,544,337.74	6,049,757,000.00

Other explanations:

Details of guarantee: As at the end of the period, of RMB175,000,000.00 was guaranteed by the Huangpu Wenchong for Wenchong Shipyard.

Details of interest rates: Long-term borrowing interest rates mainly fluctuate in the range of 1.08-4.13%. As at the end of the period, weighted average annual interest rate of long-term borrowings was 2.2172%.

(36) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment amount	148,275,495.19	164,778,831.31
Less: Unrecognized financing cost	16,912,472.09	12,552,682.80
Less: Lease liability due within one year	22,427,860.47	42,028,067.24
Total	108,935,162.63	110,198,081.27

(37) Long-term payables

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

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Special payables

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Project A	17,850,000.00			17,850,000.00
Project B	6,720,000.00			6,720,000.00
Project C	26,600,000.00			26,600,000.00
Project D	4,500,000.00			4,500,000.00
Project E	43,700,000.00			43,700,000.00
Project F		10,000,000.00	10,000,000.00	
Project G		38,500,000.00	38,500,000.00	
Total	99,370,000.00	48,500,000.00	48,500,000.00	99,370,000.00

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

Note 2: The changes during the year was due to the receipt of state grant by Huangpu Wenchong, a subsidiary of the Company, the state grant was transferred from special payables into the capital reserve exclusive to CSSC, which was included in "minority interests" in the financial statements.

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

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

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

(38) 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	163,020,988.27	178,290,000.00
Monetary housing allowance for retired employees		41,932,567.33
Financial assistance for property purchase	9,070,370.00	9,166,445.00
Total	172,091,358.27	229,389,012.33

Note: The Group's defined benefit plans represent the expenses of "three kinds of persons" (being retire, retired and retreated employees) recognised and Huangpu Wenchong, Wenchong Dockyard, 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 period	Amount for last period
Beginning balance	178,290,000.00	196,350,606.96
Cost of defined benefits included in profit or loss for the period	2,771,599.99	3,110,535.30
(1) Net interest	2,771,599.99	3,110,535.30
Cost of defined benefits included in other comprehensive income		
Other changes	-18,040,611.72	-12,890,614.19
(1) Benefits paid	-10,310,611.72	-12,890,614.19
(2) Decrease in scope of consolidation	-7,730,000.00	
Ending balance	163,020,988.27	186,570,528.07

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

Item	Amount for the period	Amount for last period
Beginning balance	178,290,000.00	196,350,606.96
Cost of defined benefits included in profit or loss for the period	2,771,599.99	3,110,535.30
Cost of defined benefits included in other comprehensive income		
Other changes	-10,310,611.72	-12,890,614.19
Transfer out arising from the decrease in scope of consolidation	-7,730,000.00	
Ending balance	163,020,988.27	186,570,528.07

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 life span 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 (RMB ten thousand)
Huangpu Wenchong	Increase by 0.25 percentage points	-335
	Decrease by 0.25 percentage points	349

(39) Estimated liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	223,402,143.74	358,285,875.33	Warranty cost of ships and electromechanical products Note
Expected loss on shipbuilding and offshore engineering products contracts	26,529,777.79	336,568,684.88	
Total	249,931,921.53	694,854,560.21	

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.

(40) Deferred income

1. Breakdown of deferred income

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Government grants	150,307,309.25	89,806,675.29	83,400,032.23	156,713,952.31
Total	150,307,309.25	89,806,675.29	83,400,032.23	156,713,952.31

NOTES TO THE FINANCIAL STATEMENTS

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2. Projects with government grants

Item	Beginning balance	New grants received during the period	Decrease for the period			Other changes	Ending balance	Relating to assets/ relating to revenue
			Included in non-operating income	Included in other income	Offsetting cost and expenses			
Separation and transfer of water, power and gas supply and property management business	33,991,967.10	22,868,000.00	910,064.94				55,949,902.16	Relating to revenue
Research of localized design and building technologies	15,390,000.00	20,000,000.00					35,390,000.00	Relating to revenue
Test environment construction of industrial internet platform test of Guangdong ship industry clusters	21,780,000.00					8,100,000.00	13,680,000.00	Relating to revenue
Manufacture of prediction and precise servicing technology and system driven by big data	11,030,000.00	2,190,000.00					13,220,000.00	Relating to revenue
R&D and industrialization of large-scale deep-water multifunctional wind power platform		10,360,000.00			900,000.00		9,460,000.00	Relating to revenue
Localization development and application verification of aluminium alloy (Russian series) and its supporting materials	2,670,000.00	2,600,000.00					5,270,000.00	Relating to revenue
Construction of level two section of industrial internet identification of ship industry	8,380,000.00					3,375,000.00	5,005,000.00	Relating to revenue
Research on common key technology of ship intelligent manufacturing		4,750,000.00				900,000.00	3,850,000.00	Relating to revenue
High-end equipment industrial mechanism model library		3,400,000.00					3,400,000.00	Relating to revenue
Sea expansion project	3,500,000.35			1,750,000.02			1,750,000.33	Relating to assets
Research on the solution and key common technologies of ship block intelligent manufacturing equipment	2,987,520.37				83,795.28	1,305,611.88	1,598,113.21	Relating to revenue
Research on integrated application technologies of intelligent logistics and fine art delivery unit in shipbuilding process	1,500,000.00						1,500,000.00	Relating to revenue
Offshore platform project	1,200,000.00			150,000.00			1,050,000.00	Relating to assets
Research on key technology of high-tech ship logistics and assembly system	1,000,000.00						1,000,000.00	Relating to revenue
Research of technologies for management and control of smart ship block workshops	5,735,666.50				1,856,953.80	3,878,712.70		Relating to revenue
Nansha Plant 1# Welding factory section expansion project (equipment)	4,844,665.07			103,556.62		4,741,108.45		Relating to revenue
National skilled personnel training in 2018	5,424,913.71				23,194.00	5,401,719.71		Relating to revenue
Subsidy for high-quality projects	5,580,917.10		32,166.60			5,548,750.50		Relating to revenue
Others	25,291,659.05	23,638,675.29	10,363.80	1,995,331.68	22,492,738.27	19,840,963.98	4,590,936.61	
Total	150,307,309.25	89,806,675.29	952,595.34	3,998,888.32	25,356,681.35	53,091,867.22	156,713,952.31	

Note: Other reductions include that Guangzhou Shipyard International Company Limited ceased to include it in the scope of consolidation and thus transferred out as well as transferred payments to participating R&D units.

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From 1 January 2020 to 30 June 2020

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(41) Share capital

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

Current period

Name/type of shareholder	Beginning balance		Increase or decrease (+, -) during the period				Sub-total	Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others		Amount	Percentage (%)
Shares not subject to selling restriction	1,413,506,378.00	100.00						1,413,506,378.00	100.00
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									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Last period

Name/type of shareholder	Beginning balance		Increase or decrease (+, -) during the period				Sub-total	Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others		Amount	Percentage (%)
Shares not subject to selling restriction	1,413,506,378.00	100.00						1,413,506,378.00	100.00
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									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

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

(42) Capital reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share premium		9,332,395,757.24	544,731,998.77	8,787,663,758.47
Other capital reserve		68,285,143.52	2,934,557.10	65,350,586.42
Capital reserves transferred from the original system		18,260,878.79		18,260,878.79
Total		9,418,941,779.55	547,666,555.87	8,871,275,223.68

Other explanations:

The share premium decreased during the current period, which is due to the loss of control of the Company after the disposal of certain equity of GSI and the transfer of related capital reserves.

The decrease in other capital reserves in the current period was due to the Company's proportionately recognized changes in other equity of RMB120,372.52 in units accounted for by the equity method and the loss of control after the Company's disposal of certain equity of GSI and the transfer of related capital reserves of RMB2,814,184.58.

Last period

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

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(43) Other comprehensive income

Current period

Item	Beginning balance	Amount for the period				Amount attributable to the Company after tax	Amount attributable to minority interests after tax	Ending balance
		Amount for the period before income tax	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense				
I. Other comprehensive income that may not be subsequently reclassified to profit and loss	-40,528,773.76	932,699,139.29	-3,358,682.58	233,337,842.42	703,522,581.79	-802,602.34	662,993,808.03	
Including: 1. Change in remeasurement of defined benefit plans	-66,476,669.27						-66,476,669.27	
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		-95,851.03			-95,851.03		-95,851.03	
3. Change in fair value of investments in other equity instruments	25,947,895.51	932,794,990.32	-3,358,682.58	233,337,842.42	703,618,432.82	-802,602.34	729,566,328.33	
II. Other comprehensive income that will be subsequently reclassified to profit or loss	-1,166,143.54	800,588.45			436,617.72	363,970.73	-729,525.82	
Including: Exchange differences arising from translation of foreign currency financial statements	-1,166,143.54	800,588.45			436,617.72	363,970.73	-729,525.82	
Total other comprehensive income	-41,694,917.30	933,499,727.74	-3,358,682.58	233,337,842.42	703,959,199.51	-438,631.61	662,264,282.21	

Note: Included in other comprehensive income in the previous period and transferred to retained earnings was the related other comprehensive income transferred out which the Company lost control after the disposal of certain equity of GSI.

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Last period

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

(44) Special reserve

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Production safety fee	443,910.04	5,501,685.12	5,945,595.16	
Total	443,910.04	5,501,685.12	5,945,595.16	

Note: The increase in production safety fee in the period was due to normal withdrawal of production safety fee in accordance with the Management Measures for the Withdrawal and Utilisation of Production Safety Fee, the decrease in safety production fees includes a decrease in the transfer out arising from the decrease in scope of consolidation of RMB685,223.06 and part of the safety protection facilities and equipment expenses of RMB5,260,372.10.

Last period

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

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From 1 January 2020 to 30 June 2020

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

(45) Surplus reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	942,532,002.78			942,532,002.78
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	962,452,773.01			962,452,773.01

Last period

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

(46) Undistributed profit

Item	Current period	Last period
Undistributed profits as at the end of last period before adjustment	-1,605,393,084.53	-2,153,702,475.37
Add: Beginning adjustment to undistributed profits		
Undistributed profits as at the beginning of the year	-1,605,393,084.53	-2,153,702,475.37
Add: Net profit attributable to owners of the Company for the period	3,102,837,570.74	390,750,329.92
Add: Transfer from other comprehensive income to retained earnings	-3,358,682.58	
Less: Statutory surplus reserve set aside		
Undistributed profits as at the end of the period	1,494,085,803.63	-1,762,952,145.45

(47) Minority interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Hongfan Technology			20,824,625.00
Longxue Pipe			33,996,166.14
Wenchong Bingshen	40.00	1,653,794.58	1,511,180.95
Fonkwang			13,048,655.11
Zhanjiang Nanhai	59.50	3,058,659.34	919,310.81
Xinhang	25.00	1,118,114.22	1,012,779.56
Xingji	62.50	4,055,843.90	3,957,073.67
Wah Shun	1.00	55,239.82	31,615.49
Wah Loong	1.00	414,371.38	310,674.12
CSSC New Energy	38.04	577,613.71	586,668.40
GSI (not solely state-owned)			1,792,349,260.69
Huangpu Wenchong (not solely state-owned)	45.46	2,992,181,048.38	3,103,518,839.16
GSI (solely state-owned)			149,000,000.00
Huangpu Wenchong (solely state-owned)	Note	326,900,000.00	278,400,000.00
Total	-	3,330,014,685.33	5,399,466,849.10

Note: The minority interests (solely owned) of Huangpu Wenchong, a subsidiary of the Company, represented capital reserve solely owned by CSSC, details of which are set out in Note VI. 37 Special payables.

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(48) Net current assets

Item	Ending balance	Beginning balance
Current assets	20,405,948,138.92	33,235,450,338.19
Less: Current liabilities	16,423,108,703.53	29,410,507,753.51
Net current assets	3,982,839,435.39	3,824,942,584.68

(49) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	37,238,825,773.31	52,304,069,154.98
Less: Current liabilities	16,423,108,703.53	29,410,507,753.51
Total assets less current liabilities	20,815,717,069.78	22,893,561,401.47

(50) Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	2,460,355,881.93	6,147,082,148.56
Non-current liabilities due within one year	2,196,175,652.77	2,239,900,000.00
Long-term borrowings	3,053,544,337.74	6,049,757,000.00
Total	7,710,075,872.44	14,436,739,148.56

1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
Bank borrowings repayable within 5 years	2,554,479,909.72	8,187,082,148.56
Bank borrowings repayable after 5 years		407,157,000.00
Other borrowings		
Other borrowings repayable within 5 years	3,863,395,962.72	4,539,900,000.00
Other borrowings repayable after 5 years	1,292,200,000.00	1,302,600,000.00
Total	7,710,075,872.44	14,436,739,148.56

2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	4,657,875,872.44	8,386,982,148.56
1-2 years	1,760,000,000.00	4,120,000,000.00
2-5 years		220,000,000.00
Over 5 years	1,292,200,000.00	1,709,757,000.00
Total	7,710,075,872.44	14,436,739,148.56

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

(51) Operating income & Operating costs

1. Information on operating income and operating cost

Item	Amount for the period	Amount for last period
Income from principal business	4,213,353,546.66	7,778,237,332.64
Income from other businesses	79,827,636.90	37,847,987.04
Total	4,293,181,183.56	7,816,085,319.68
Costs of principal business	4,003,870,049.28	7,612,209,764.96
Costs of other businesses	57,373,480.24	14,651,035.85
Total	4,061,243,529.52	7,626,860,800.81

Gross profit from principal business

Item	Amount for the period	Amount for last period
Income from principal business	4,213,353,546.66	7,778,237,332.64
Costs of principal business	4,003,870,049.28	7,612,209,764.96
Gross profit	209,483,497.38	166,027,567.68

(1) Principal business – by product

Product name	Amount for the period	Amount for last period
Operating income:		
Ship products	3,077,585,661.50	6,396,382,932.72
Including:		
Bulk carriers	461,601,376.43	524,543,653.92
Oil tankers	245,129,888.16	2,058,031,176.04
Containerships	1,257,982,462.91	869,230,776.39
Special ships and others	1,112,871,934.00	2,944,577,326.37
Offshore engineering products	105,645,690.20	320,174,444.06
Steel structures products	605,871,872.62	357,375,955.95
Ship maintenance and modification	250,019,839.88	350,573,955.00
Electro-mechanical products and others	174,230,482.46	353,730,044.91
Total	4,213,353,546.66	7,778,237,332.64
Operating costs:		
Ship products	2,994,497,444.65	6,408,256,088.84
Including:		
Bulk carriers	417,486,200.12	545,033,042.41
Oil tankers	316,911,954.31	2,127,043,527.88
Containerships	1,282,270,841.27	983,171,543.60
Special ships and others	977,828,448.95	2,753,007,974.95
Offshore engineering products	114,357,275.36	308,775,195.75
Steel structures products	566,416,293.66	336,439,069.43
Ship maintenance and modification	190,538,170.88	283,999,906.72
Electro-mechanical products and others	138,060,864.73	274,739,504.22
Total	4,003,870,049.28	7,612,209,764.96

NOTES TO THE FINANCIAL STATEMENTS

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(2) *Principal business – by region*

Region	Amount for the period	Amount for last period
Operating income:		
China (including Hong Kong, Macau and Taiwan)	3,139,489,487.26	4,288,158,574.46
Other regions in Asia	267,951,335.87	465,016,224.86
Europe	367,886,390.41	1,453,931,398.50
Oceania	251,106,911.37	452,946,939.48
North America	75,098,988.95	185,390,271.74
Africa	111,820,432.80	905,706,498.41
South America		27,087,425.19
Total	4,213,353,546.66	7,778,237,332.64
Operating costs:		
China (including Hong Kong, Macau and Taiwan)	2,874,921,896.24	3,927,968,512.95
Other regions in Asia	308,846,613.87	482,841,130.20
Europe	401,631,502.32	1,565,932,402.43
Oceania	244,018,968.67	457,191,994.41
North America	54,197,998.96	209,953,701.35
Africa	120,253,069.22	927,314,539.90
South America		41,007,483.72
Total	4,003,870,049.28	7,612,209,764.96

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

Product name	Amount for the period	Amount for last period
Income from other business:		
Sale of materials	1,051,327.23	2,048,823.69
Sales of scrap materials	59,215,417.11	7,087,797.12
Provision of service	300,817.40	2,485,339.00
Leasing	9,172,449.56	14,528,154.73
Provision of energy	7,528,695.12	4,589,817.59
Others	2,558,930.48	7,108,054.91
Total	79,827,636.90	37,847,987.04
Costs of other business:		
Sale of materials	190,966.04	3,652,671.21
Sales of scrap materials	48,115,864.04	354,288.04
Provision of service	123,806.88	1,529,120.77
Leasing	4,641,345.99	3,520,023.13
Provision of energy	3,688,352.50	2,320,357.02
Others	613,144.79	3,274,575.68
Total	57,373,480.24	14,651,035.85

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2. Revenue from contracts

Breakdown of contracts	Shipbuilding and related business segment	Steel structure engineering business segment	Ship maintenance and related business segment	Others segment	Total
Sub-total by product type	3,244,362,207.54	571,358,588.23	350,467,410.76	126,992,977.03	4,293,181,183.56
Ship products	3,077,585,661.50				3,077,585,661.50
Offshore engineering products	105,645,690.20				105,645,690.20
Steel structure	34,513,284.39	571,358,588.23			605,871,872.62
Ship maintenance and modification			250,019,839.88		250,019,839.88
Electromechanical products and others			97,865,344.13	76,365,138.33	174,230,482.46
Other business	26,617,571.45		2,582,226.75	50,627,838.70	79,827,636.90
Sub-total by region of operation	3,244,362,207.54	571,358,588.23	350,467,410.76	126,992,977.03	4,293,181,183.56
Domestic	2,358,580,556.03	539,737,518.26	194,006,072.84	126,992,977.03	3,219,317,124.16
Overseas	885,781,651.51	31,621,069.97	156,461,337.92		1,073,864,059.40
Sub-total by type of market or customer	3,244,362,207.54	571,358,588.23	350,467,410.76	126,992,977.03	4,293,181,183.56
State-owned enterprises	1,027,784,014.00	532,564,725.67	97,155,349.96	48,923,052.55	1,706,427,142.18
Private enterprises	289,496,140.60	7,172,792.59	51,997,402.08	78,069,924.48	426,736,259.75
Foreign enterprises	1,927,082,052.94	31,621,069.97	201,314,658.72		2,160,017,781.63
Sub-total by type of contracts	3,244,362,207.54	571,358,588.23	350,467,410.76	126,992,977.03	4,293,181,183.56
Fixed price	3,244,362,207.54	532,564,725.67	191,487,285.71	115,619,848.05	4,084,034,066.97
Cost plus		38,793,862.56	158,980,125.05	11,373,128.98	209,147,116.59
Sub-total by date of transfer of goods	3,244,362,207.54	571,358,588.23	350,467,410.76	126,992,977.03	4,293,181,183.56
Performed over time	3,205,379,899.61	532,669,214.44	96,347,561.59		3,834,396,675.64
Performed at a point in time	38,982,307.93	38,689,373.79	254,119,849.17	126,992,977.03	458,784,507.92
By contract term	3,244,362,207.54	571,358,588.23	350,467,410.76	126,992,977.03	4,293,181,183.56
Short-term	712,742,973.65	398,521,020.82	350,467,410.76	90,359,741.25	1,552,091,146.48
Long-term	2,531,619,233.89	172,837,567.41		36,633,235.78	2,741,090,037.08
By sales channel	3,244,362,207.54	571,358,588.23	350,467,410.76	126,992,977.03	4,293,181,183.56
Direct sales	2,846,312,119.97	539,737,518.26	350,467,410.76	126,992,977.03	3,863,510,026.02
Sale through distributors	398,050,087.57	31,621,069.97			429,671,157.54

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.

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4. Note on allocation to remaining contract performance obligations

The amount of revenue corresponding to the contract performance obligations for which contracts had been entered into and which had not been performed or fully performed as at the end of the Reporting Period was RMB34,073,945,100, of which RMB9,600,429,800 is expected to be recognised as revenue in 2020; RMB7,604,383,400 is expected to be recognised as revenue in 2021.

5. Top five customers by operating income

Customers	Relationship with the Group	Current period	Percentage of total income from principal business (%)
Customer 1	Third party	498,054,586.08	11.82
Customer 2	Third party	256,237,629.69	6.08
Customer 3	Third party	226,361,657.11	5.37
Customer 4	Third party	199,291,767.79	4.73
Customer 5	Third party	195,364,923.70	4.64
Total		1,375,310,564.37	32.64

6. Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Current period	Percentage of total income from principal business (%)
Supplier 1	Under common control of CSSC	1,622,608,152.28	40.53
Supplier 2	Third party	44,969,225.93	1.12
Supplier 3	Third party	44,529,008.79	1.11
Supplier 4	Third party	33,509,572.48	0.84
Supplier 5	Third party	31,848,550.19	0.80
Total		1,777,464,509.67	44.40

(52) Taxes and surcharges

Item	Amount for the period	Amount for the last period
City maintenance and construction tax	1,531,165.41	3,520,834.17
Educational surcharge	1,108,982.70	2,512,996.63
Property tax	5,397,435.37	14,575,633.85
Land use tax	1,068,448.36	5,196,000.51
Stamp duty	6,357,287.82	6,005,411.55
Vehicle usage tax	90,605.64	133,715.53
Environmental protection tax	32,708.46	849,031.84
Total	15,586,633.76	32,793,624.08

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(53) Selling expenses

Item	Amount for the period	Amount for the last period
Employee benefits	12,656,303.55	12,647,868.89
Product quality warranty	8,147,721.64	-10,744,163.17
Business expenditure	521,914.58	1,719,052.66
Transportation fees	272,520.68	910,383.10
Others	1,644,117.40	4,014,698.49
Total	23,242,577.85	8,547,839.97

(54) Administrative expenses

Item	Amount for the period	Amount for the last period
Employee benefits	138,712,140.14	183,547,212.73
Depreciation and amortization charge	33,450,926.92	55,461,064.88
Repairing expenses	37,453,137.76	55,209,538.17
Labour service fee	10,293,586.75	14,874,660.46
IT expenses	10,155,451.93	2,135,281.40
Lease expenses	8,467,351.33	13,984,242.48
Board meeting fee	3,110,874.96	1,258,782.12
Transportation fees	1,556,717.79	11,500,703.98
Security, firefighting and safety activity fee	2,342,983.32	6,313,103.61
Utilities expense	2,096,848.10	3,963,566.99
Others	12,105,195.38	25,893,871.66
Total	259,745,214.38	374,142,028.48

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(55) Research and development expenses

Item	Amount for the period	Amount for the last period
Maine low-speed machine innovation project (Phase 1)	24,889,177.30	9,081,686.66
Research and development of Antarctic krill ships	20,756,879.13	
Research on key technologies of 120,000-ton bulk carrier design and construction	20,148,448.39	
Research on new technology process of 2700TEU containerhips design and construction(Longxue Factory)	19,041,225.15	
Research on new process and tooling and research on application of new materials for ships (phase I)	17,382,050.73	2,230,379.30
Development and design of Italian MOBY2500 passenger/3765m Ro/PAX vessel	11,386,071.22	1,696,543.01
Research on key technologies for design and building of 2700TEU green energy-saving container ship	10,787,967.84	
Research and development of advanced manufacturing process tooling for marine engineering equipment (Phase II)	10,573,396.69	
R&D and industrialization of large-scale deepwater multifunctional wind power platform	7,229,886.47	
Development of DFDS600 Passenger/4,500 meters lane luxury Ro/Ro ships	6,893,002.58	15,569,894.11
Industrial Internet Platform R&D Project	6,632,632.23	
Research on key technologies of design and building of marine emergency command ship for dangerous goods	6,254,868.80	
Research and development of North Africa ro-ro passenger ships with 1,800 passengers Intelligent Ro/PAX	4,366,833.52	8,744,507.78
Research of common key processes and technologies for smart manufacturing of ships	3,635,795.28	
Research on high efficient construction technology of offshore wind power single piles	3,103,794.87	2,659,076.02
Research on the key technologies of design and construction of type B marine patrol ship	2,551,964.81	
Development of 95,000-ton ICE 1A-class ice bulk carrier	2,534,046.80	
Research on key technology of design and construction of steel pipe sinking pipe in Shenzhen-Zhongshan Bridge	2,235,795.28	
Key technology research on design and construction of 4,000 kw marine rescue ship	1,988,802.65	6,670,015.07
Research on key technology of design and construction of 82,000 ton bulk carrier	1,794,581.07	8,141,487.51
Research of new process and technologies of marine ships	1,230,630.21	4,069,666.04
Research of key technologies for designing and building of marine police remould ships	925,343.00	3,746,138.85
Development of 2038TEU-class feeder container ship	922,292.65	2,174,329.69
Research on new craft technology of medium boat	921,309.67	3,131,590.92
Development of 1500TEU-class containership	860,138.96	2,193,849.99
Research and application of key technology of unmanned ship quality comprehensive test platform	625,397.84	2,662,190.40
Research on new process technology of XX6/6A light	608,496.63	3,319,279.71
Research on key technology of double wire CMT welding of duplex stainless steel of chemical tanker	531,161.99	2,199,419.05
Research on key technology of GM-J180A wind power residential platform design and construction	167,590.56	2,288,435.96
Research of key welding technologies for polar condensate tanker hull	44,215.85	7,535,121.24
High-speed marine police ship	17,796.24	18,653,788.71
Research and development of key technologies for design and building of 1,200 tons wind power installation platform	7,820.00	3,566,120.29
Research and manufacturing of the 3rd generation of 50,000 tons of chemicals/oil tankers	2,666.70	5,376,793.25
Research on key technology of design and construction of 800-ton wind power operation platform of Zhengli		8,401,731.68
Research on key technology of design and construction of self-propelled immersed pipe installation and transportation Ship CATIA-based ship design application research		8,044,575.27
Research on key technology of design and construction of ocean comprehensive resources survey ship		7,395,013.15
Research and development of key technologies for smart manufacturing		5,299,248.69
Key technology research for intelligent manufacturing		3,312,633.27
Building of technical centre		2,722,947.74
Development of water surface support and security system for 11,000 manned submersible		2,591,046.10
Research on forming technology of jacket thick plate coil		2,589,364.77
Hospital work plan management and control system		2,270,120.50
Other projects		2,230,189.29
	60,712,111.95	65,823,196.63
Total	251,764,193.06	226,390,380.65

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(56) Finance cost

Item	Current period	Corresponding period of last year
Interest expenses	93,466,276.45	195,683,733.87
Less: Interest income	132,806,729.54	128,327,120.98
Add: Net exchange losses	-42,433,302.07	9,530,677.58
Other expenses	6,179,970.77	9,341,273.01
Total	-75,593,784.39	86,228,563.48

1. Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years		
Other borrowings	71,873,322.27	167,155,568.34
Interest on other borrowings due within 5 years	33,760,360.05	48,418,643.84
Other interest expenses	7,282,594.13	
Sub-total	112,916,276.45	215,574,212.18
Less: Interest capitalised		640,478.31
Finance interest discount	19,450,000.00	19,250,000.00
Total	93,466,276.45	195,683,733.87

2. Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	131,805,680.42	127,146,879.69
Interest income from receivables	1,001,049.12	1,180,241.29
Total	132,806,729.54	128,327,120.98

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

(57) Other income

Item	Amount for the period	Amount for the last period	Source and basis	Relating to assets/income
Item a	7,000,000.00			
Guangzhou technological innovation and benchmarking company fund	5,000,000.00		Guangzhou Municipal Finance Bureau	Relating to income
Guangzhou emerging industries post-development subsidy funds	4,000,000.00		Guangzhou Municipal Finance Bureau	Relating to income
Offshore expansion projects	1,750,000.02	1,750,000.02	Huangpu District Government	Relating to assets
Offshore engineering phase I	750,000.00	750,000.00	Huangpu District Government	Relating to assets
Immediately refunded value-added tax	563,270.66	825,936.79	local SAT office of Tianhe district, Guangzhou city	Relating to income
2019 Intellectual property policy award	500,000.00		Nansha District Finance Bureau of Guangzhou	Relating to income
Item b	420,000.00			
2018 High enterprise verification subsidies	400,000.00		Guangzhou Municipal Finance Bureau	Relating to income
Additional deduction of input VAT	174,487.42			
2020 second batch of Guangzhou patent funds	157,500.00		Guangzhou Administration for Market Regulation	Relating to income
Offshore platform project	150,000.00	150,000.00	Huangpu District Government	Relating to assets
Nansha Plant 1# Welding factory section expansion project	103,556.62			
Guangzhou business development special fund		1,045,300.00	Guangzhou Municipal Finance Bureau	Relating to income
2018 Technology Innovation Income		303,300.00	Guangzhou Science Technology and Innovation Commission	Relating to income
Enterprise technology centre innovation capability development project		150,000.00	Central finance	Relating to income
Special fund for economic development advancement		120,969.99	Guangzhou Commerce Bureau	Relating to income
Other government grants (Less than RMB 100,000)	383,177.57	422,040.60		
Total	21,351,992.29	5,517,547.40		

Other explanations: Government grants from other income included in non-recurring gains and losses amounted to RMB20,788,721.63 during the period. Please refer to Note 18 (1) for the reason why the VAT that is levied and refunded amounted to RMB563,270.66 is included in the recurring gains and losses.

(58) Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	-6,432,971.46	-2,542,980.91
Investment income from disposal of long-term equity investments	1,630,702,642.39	
Gain on re-measurement of remaining equity interests upon loss of control at fair value	1,758,109,549.31	
Investment income from disposal of financial assets held-for-trading	-11,105,630.33	-207,793,580.00
Investment income from holding entrusted wealth management products	2,293,150.68	9,700,821.37
Dividend income from holding investments in other equity instruments	12,500.00	12,500.00
Total	3,373,579,240.59	-200,623,239.54

Other explanations: Investment income from investment in listed companies and non-listed companies for the period amounted to RMB0 (corresponding period of last year: RMB0) and RMB 3,373,579,240.59 (corresponding period of last year: RMB-200,623,239.54), respectively.

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From 1 January 2020 to 30 June 2020

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(59) Gain/loss on change in fair value

Item	Amount for the period	Amount for the last period
Change in fair value of financial assets held-for-trading	68,496,346.27	31,425,173.63
Change in fair value of financial liabilities held-for-trading	-99,120,937.27	233,024,977.65
Total	-30,624,591.00	264,450,151.28

(60) Credit impairment loss

Item	Amount for the period	Amount for the last period
Loss on bad debts of accounts receivable (- represents the loss)	854,886.65	-4,976,157.71
Loss on bad debts of other receivables (- represents the loss)	3,830,895.31	-3,494,329.02
Loss on bad debts of long-term receivables (- represents the loss)	95.31	19,210.88
Total	4,685,877.27	-8,451,275.85

(61) Loss on impairment of assets

Item	Amount for the period	Amount for the last period
Loss on impairment of inventories (- represents the loss)	-732,302.47	14,808.58
Loss on impairment of assets in respect of contract performance cost (- represents the loss)	-21,839,407.45	-11,321,317.61
Loss on impairment of contracts (- represents the loss)	-146,159,903.03	-58,312,387.06
Total	-168,731,612.95	-69,618,896.09

(62) Gain on disposal of assets

Item	Amount for the period	Amount for the last period	Amount included in non-recurring gains and losses for the current period
Gain on disposal of non-current assets		-249,851.06	
Including: Gain on disposal of non-current assets not classified as assets held for disposal		-249,851.06	
Including: Gain on disposal of fixed assets		-249,851.06	
Total		-249,851.06	

Other explanations: The amount included in non-recurring profit and loss for current period was RMB0.00 (corresponding period of last year: RMB-249,851.06).

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(63) Non-operating income

1. Breakdown of non-operating income

Item	Amount for the period	Amount for the last period	Amount included in non-recurring gains and losses for the current period
Subtotal of gain on disposal of non-current asset	706,805.12	447,925.19	706,805.12
Including: Gain on disposal of fixed assets	706,805.12	447,925.19	706,805.12
Government grants not related to daily corporate activities	992,617.26	3,157,656.14	992,617.26
Penalty income	365,415.09	167,217.00	365,415.09
Negative goodwill from business combination not under common control	1,760,005.87		1,760,005.87
Compensation for assets relocation		1,247,867,578.32	
Others	177,747.18	1,448,874.36	177,747.18
Total	4,002,590.52	1,253,089,251.01	4,002,590.52

Other explanations: The amount included in non-recurring gains and losses for the period was RMB4,002,590.52 (corresponding period of last year : RMB1,253,089,251.01).

2. Government grants included in current profit or loss

Item	Current period	Corresponding period of last year	Relating to assets/ relating to revenue
Separation and transfer of water, power and gas supply	910,064.94	910,064.94	Relating to revenue
Quality project funding	32,166.60	96,499.80	Relating to revenue
Entrepreneurship-driven employment subsidy	30,000.00		Relating to revenue
Base construction subsidy	10,363.80	31,091.40	Relating to revenue
Social Security Subsidy for recruiting people with non-employment difficulties in the 1st quarter of 2020	10,021.92		Relating to revenue
Grants for use of onshore power by berthing ships		2,120,000.00	Relating to revenue
Total	992,617.26	3,157,656.14	–

3. Description of profit from disposal of properties

The Group has no profit from the disposal of properties of non-operating income for the current period and corresponding period of last year.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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(64) Non-operating expenses

Item	Amount for the period	Amount for the last period	Amount included in non-recurring gains and losses for the current period
Total losses on disposal of non-current assets	1,372,764.94	399,432.35	1,372,764.94
Including: Loss on disposal of fixed assets	1,372,764.94	399,432.35	1,372,764.94
External donation expenses	267.25	5,400.00	267.25
Penalty	28,708.95	847,754.83	28,708.95
Others	50,000.00	373,326.39	50,000.00
Total	1,451,741.14	1,625,913.57	1,451,741.14

Other explanations: The amount included in non-recurring gains and losses for the period was RMB1,451,741.14 (corresponding period of last year: RMB1,625,913.57).

(65) Income tax expense

1. Income tax expense

Item	Current period	Corresponding period of last year
Current income tax expense	162,415.67	29,434,469.43
Deferred income tax expense	16,080,580.72	64,550,523.50
Total	16,242,996.39	93,984,992.93

Including: current income tax expense

Item	Current period	Corresponding period of last year
Current income tax-PRC enterprise income tax	162,415.67	29,434,469.43
1. China	191,037.24	29,475,982.38
2. Hong Kong		
3. Macau		
4. Overprovision (underprovision) of previous year	-28,621.57	-41,512.95
Total	162,415.67	29,434,469.43

2. Reconciliation sheet between income tax expenses and total profit

Item	Current period	Corresponding period of last year
Total profit	2,960,004,574.96	703,609,855.79
Income tax expenses calculated at statutory/applicable tax rate	740,001,143.74	175,902,463.95
Impact of different tax rates for subsidiaries	-4,596,355.55	-122,732,804.36
Impact of adjustment for income tax for previous period Impact of non-taxable income	-28,621.57	-398,986.13
Impact of non-taxable income	-312,518,223.90	-761,970.24
Impact of R&D Expenses including the effect of deduction	-47,059,063.17	-16,916,912.35
Impact of non-deductible costs, expenses and losses	192,232.79	95,539.58
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-483,316.47	-73,186,503.66
Impact of non-deductible costs, expenses and losses		
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised		
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	-359,264,799.48	131,984,166.14
Income tax expense	16,242,996.39	93,984,992.93

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From 1 January 2020 to 30 June 2020

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(66) Other comprehensive income

Please refer to Note VI.43 “Other comprehensive income” for details.

(67) Audit fees and auditors

The audit fees charged for 2020 are RMB1.51 million (2019: RMB1.90 million). The auditors engaged by the Company are WUYIGE Certified Public Accountants LLP, which has been changed since 2019.

(68) Depreciation and amortisation

	Current period	Corresponding period of last year
Depreciation of investment properties	104,785.35	314,356.08
Depreciation of fixed assets	205,517,070.18	363,588,104.88
Depreciation of right-of-use assets	14,259,373.53	26,287,149.55
Amortisation of intangible assets	17,099,498.90	31,133,922.41
Amortisation of long-term prepaid expenses	2,208,464.35	7,361,072.30
Total	239,189,192.31	428,684,605.22

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

Gain on disposal of investments or properties during the current period included the gain of RMB0 for the sale of non-trading equity instruments investment (corresponding period of last year: RMB0), and RMB3,388,812,191.70 for the disposal of long-term equity (corresponding period of last year: RMB0), including the gain on remeasurement of remaining equity interests upon the income from the disposal of part of the equity of GSI and loss of control at fair value amounted to RMB 3,389,643,311.70, and equity income amounted to RMB-831,120.00 arising from the disposal of Guangzhou Nanhuan Environmental Service Co., Ltd..

(70) Operating rental expense

Operating rental expense for the period is RMB36,728,473.88 (corresponding period of last year: RMB20,773,317.16), of which rental expense for machinery and equipment is RMB5,027,717.69 (corresponding period of last year: RMB9,044,446.69).

(71) Rental income

Operating rental income for the period is RMB37,793,033.52 (corresponding period of last year: RMB22,991,322.25), including rental income from land and buildings of RMB10,497,450.04 (corresponding period of last year: RMB17,772,859.83).

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)

(72) 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 period and the dilutive potential ordinary shares which were converted during current period are assumed to be converted at the date of issue.

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

Profit for the reporting period	Current period	Corresponding period of last year
Net profit attributable to shareholders of the Company	3,102,837,570.74	390,750,329.92
Non-recurring gains and losses attributable to the Company	3,401,798,603.04	812,658,713.76
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	-298,961,032.30	-421,908,383.84
Total number of shares at the beginning of the period	1,413,506,378.00	1,413,506,378.00
Number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)		
Number of shares increased due to issuance of new shares or debt for equity swap (II)		
Number of months from the month following the month in which the number of shares is increased to the end of the period (II)		
Number of shares decreased due to stock repurchase		
Number of months from the month following the month in which the number of shares is decreased to the end of the period		
Number of shares decreased due to capital reduction		
Number of months in the Reporting Period	6	6
Weighted average number of ordinary shares outstanding	1,413,506,378.00	1,413,506,378.00
Following adjustments in relation to business combination under common control		
	1,413,506,378.00	1,413,506,378.00
Basic earnings per share (I)	2.1951	0.2764
Basic earnings per share (II)	-0.2115	-0.2985
Potential diluted interests of ordinary shares recognised as expense		
Transfer fee		
Income tax rate	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.		
Diluted earnings per share (I)	2.1951	0.2764
Diluted earnings per share (II)	-0.2115	-0.2985

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From 1 January 2020 to 30 June 2020

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(73) Dividends

Final dividends for the year ended 31 December 2019 totaling RMB0 (corresponding period of last year: RMB0) were declared and paid during the six months ended 30 June 2020.

The Company will not distribute the interim dividends for the six month period ended 30 June 2020 (corresponding period of last year: RMB0).

(74) 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 period	Corresponding period of last year
Raw materials consumed	2,431,714,645.47	4,879,963,376.09
Employee compensation expenses	1,191,628,386.16	1,564,215,909.76
Depreciation expenses	219,881,229.06	324,292,151.32
Amortisation expenses	19,307,963.25	35,314,609.64
Fuel power fee	102,271,343.53	954,534,893.33
Product fee	517,211,999.51	155,260,619.52
Others	113,979,947.83	322,359,490.25
Total	4,595,995,514.81	8,235,941,049.91

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From 1 January 2020 to 30 June 2020

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

(75) Items in consolidated 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 period	Corresponding period of last year
Relocation compensation	686,000,000.00	764,000,000.00
Current account receive	148,085,934.70	86,051,068.98
Government grants	82,162,156.71	69,420,766.00
Receipt/recovery of deposit	17,270,754.89	156,704,538.17
Interest income	34,708,499.85	60,146,945.23
Insurance premium	3,744,319.00	1,089,878.90
Other non-operating income	3,733,083.37	526,722.18
Total	975,704,748.52	1,137,939,919.46

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

(2) Other cash payments relating to operating activities

Item	Amount for the period	Corresponding period of last year
Payment of current accounts	114,313,539.17	158,703,045.53
Refundable deposit/deposit paid	26,186,580.76	85,445,577.96
Administrative expenses and other expenses	58,279,822.31	63,388,776.97
Reserve funds	13,230,519.89	
Others	71,757.56	603,717.78
Total	212,082,219.69	308,141,118.24

Note on other cash payments relating to operating activities: none

(3) Other cash receipts relating to investing activities

Item	Amount for the period	Corresponding period of last year
Withdrawal of fixed deposits and restricted funds over three months	1,029,575,915.36	1,636,624,298.15
Principal and interest of borrowing and repayment on a consolidated basis	402,170,666.67	
Interest income from fixed deposits and various kinds of deposits over three months	17,126,372.41	67,652,253.76
Gain on entrusted wealth management products		16,361,481.80
Total	1,448,872,954.44	1,720,638,033.71

Note on other cash receipts relating to investing activities: none

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

Item	Amount for the period	Corresponding period of last year
Refundable fixed deposits and restricted funds over three months	1,395,744,308.12	2,311,760,875.72
Relocation and other expenses	27,064,625.06	70,667,697.76
Reclassification of net cash received from disposal of subsidiaries	4,187,571,057.64	
Deposit for forward exchange settlement		12,469,663.60
Total	5,610,379,990.82	2,394,898,237.08

Note on other cash payments relating to investing activities: none

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

Item	Amount for the period	Corresponding period of last year
State grant	48,500,000.00	167,000,000.00
Total	48,500,000.00	167,000,000.00

Note on other cash receipts relating to financing activities: none

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

Item	Amount for the period	Corresponding period of last year
Leased asset expense	5,240,021.17	
Total	5,240,021.17	

Note on other cash payments relating to financing activities: none

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2. Supplementary information on consolidated cash flow statement

Item	Current period	Corresponding period of last year
Reconciliation of net profit and cash flows from operating activities:		
Net profit	2,943,761,578.57	609,624,862.86
Add: Provision for impairment of assets	168,731,612.95	69,618,896.09
Loss on impairment of credit assets	-4,685,877.27	8,451,275.85
Depreciation of fixed asset	219,881,229.06	390,189,610.51
Amortisation of intangible assets	17,099,498.90	31,133,922.41
Amortisation of long-term prepaid expenses	2,208,464.35	7,361,072.30
Loss on disposal of fixed assets, intangible assets and other long-term assets		249,851.06
Loss on retirement of fixed assets	665,959.82	-48,492.84
Loss on changes in fair value	30,624,591.00	-264,450,151.28
Finance cost	45,319,541.45	211,891,949.44
Loss on investments	-3,373,579,240.59	200,623,239.54
Decrease in deferred tax assets	17,408,474.51	64,276,280.95
Increase in deferred tax liabilities	-503,463.25	-664,466.66
Decrease in inventories	-426,655,154.70	-1,500,890,382.51
Decrease in operating receivables	54,694,138.75	-2,172,711,212.45
Increase in operating payables	-2,432,489,333.10	-855,133,570.23
Others		
Net cash flows from operating activities	-2,737,517,979.55	-3,200,477,314.96
Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
Net changes in cash and cash equivalents:		
Ending balance of cash	3,257,671,471.38	4,848,324,051.89
Less: Beginning balance of cash	10,683,490,790.99	8,536,815,355.09
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-7,425,819,319.61	-3,688,491,303.20

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

Item	Nanfeng Environment Co., Ltd.
Cash and cash equivalents paid in relation to business combinations occurred during the period	27,901,825.00
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	17,195,407.31
Add: Cash and cash equivalents paid in the current period for business combination in prior period	
Net cash paid for acquisition of subsidiaries	10,706,417.69

4. Composition of Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	3,257,671,471.38	10,683,490,790.99
Including: Cash on hand	63,595.54	206,485.11
Bank deposits available for use on demand	3,257,607,875.84	10,683,284,305.88
Cash equivalents		
Ending balance of cash and cash equivalents	3,257,671,471.38	10,683,490,790.99

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

Item	Carrying value as at the end of the period	Reasons for restrictions
Cash at bank and on hand	3,378,553,215.11	Fixed deposits with maturity of over 3 months, security deposit, etc.

(77) Foreign currency monetary items

1. Foreign currency monetary items

Item	Ending balance of foreign currency	Translation rate	Ending balance denominated in RMB
Cash at bank and on hand			179,143,157.87
Including: USD	23,081,364.74	7.0795	163,404,521.68
EUR	921,333.15	7.9610	7,334,733.21
JPY	125,329.00	0.0658	8,246.65
HKD	9,191,653.52	0.9134	8,395,656.33
Accounts receivable			33,141,460.96
Including: USD	2,947,336.00	7.0795	20,865,665.21
HKD	13,439,671.28	0.9134	12,275,795.75
Long-term receivables			1,452,222,709.73
Including: USD	205,130,688.57	7.0795	1,452,222,709.73
Accounts payable			363,562,001.75
Including: USD	24,601,612.61	7.0795	174,167,116.47
EUR	23,790,338.56	7.9610	189,394,885.28

2. Description of business entities outside the mainland

Business entity	Place of operation	Reporting currency
Wah Shun	Hong Kong, China	HKD
Wah Loong	Hong Kong, China	HKD

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(78) Government grants

1. Basic information on government grants

Type	Amount	Item presented	Amount included in current profit or loss
Separation and transfer of water, power and gas supply	55,949,902.16	Deferred income	
Research of design and building technologies for management and control of smart ship block workshops	35,390,000.00	Deferred income	
Interest subsidy for transformation into civil development	19,450,000.00	Finance cost	19,450,000.00
Test environment construction of industrial internet platform test of Guangdong ship industry clusters	13,680,000.00	Deferred income	
Manufacture of prediction and precise servicing technology and system driven by big data	13,220,000.00	Deferred income	
R&D and industrialization of large-scale deepwater multifunctional wind power platform	9,460,000.00	Deferred income	
Grant for insurance maintained for first piece (set)	7,722,287.51	Selling expense	7,722,287.51
Item a	7,000,000.00	Other income	7,000,000.00
Localization and application verification of aluminium alloy (Russian) and its supporting materials	5,270,000.00	Deferred income	
Construction of level two section of industrial internet identification of ship industry	5,005,000.00	Deferred income	
Guangzhou technological innovation and benchmarking company fund	5,000,000.00	Other income	5,000,000.00
Guangzhou emerging industries post development subsidy funds	4,000,000.00	Other income	4,000,000.00
Research of common key processes and technologies for smart manufacturing of ship	3,850,000.00	Deferred income	
High-end equipment industrial mechanism model library	3,400,000.00	Deferred income	
Research on manufacturing control technology of hull section intelligent workshop	1,856,953.80	Research and development expense	1,856,953.80
Offshore expansion projects	1,750,000.33	Deferred income	
Offshore expansion projects	1,750,000.02	Other income	1,750,000.02
Research of equipment solution to and common key technologies for smart manufacturing of ships	1,598,113.21	Deferred income	
Research on integrated application technology of smart logistics and accurate distribution unit in ship construction process	1,500,000.00	Deferred income	
Development and industrialization of multi-functional intelligent unmanned boats in complex marine environment	1,356,053.98	Research and development expense	1,356,053.98
Employment subsidies	1,251,868.02	Administrative expenses	1,251,868.02
Offshore platform project	1,050,000.00	Deferred income	
Research on key technology of high-tech ship logistics and assembly system	1,000,000.00	Deferred income	
Separation and transfer of water, power and gas supply	910,064.94	Non-operating income	910,064.94
R&D and industrialization of large-scale deepwater multifunctional wind power platform	900,000.00	Research and development expense	900,000.00
Research and construction of key technologies for open test sites for smart unmanned ships	852,464.83	Research and development expense	852,464.83
Offshore engineering phase I	750,000.00	Other income	750,000.00
Offshore engineering phase I	750,000.00	Deferred income	
VAT refund upon collection	563,270.66	Other income	563,270.66
2019 Intellectual property policy award	500,000.00	Other income	500,000.00

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Type	Amount	Item presented	Amount included in current profit or loss
High-performance and high-precision additive manufacturing and application demonstration of large-scale metal components	500,000.00	Deferred income	
Employment subsidies	485,373.78	Deferred income	
New enterprise apprenticeship training project	452,200.00	Deferred income	
Post-award grant from military tender	420,000.00	Other income	420,000.00
2018 High enterprise verification subsidies	400,000.00	Other income	400,000.00
Research on digital twin technology of IC products and its application combining virtual and physical elements	340,000.00	Deferred income	
Research on ship shafting durability improvement technology	327,646.51	Research and development expense	327,646.51
Enterprise high-quality patent cultivation project	300,000.00	Deferred income	
Research on the key technologies of design and construction of Shenzhen-Zhongshan Channel immersed-tube steel-shell project	250,000.00	Deferred income	
Post-utilisation grant from Guangzhou of high-value patent	250,000.00	Deferred income	
Realistic model making of engine nacelle	220,353.98	Deferred income	
High enterprise verification	200,000.00	Deferred income	
Research on corrosion resistance of marine nickel-copper pipes and development of engineering application technology	200,000.00	Deferred income	
Research on manufacturing control technology of hull section intelligent workshop	200,000.00	Deferred income	
Construction of 2019 enterprise innovation system	200,000.00	Administrative expenses	200,000.00
Processing of vessel body strength test model	199,008.85	Deferred income	
2020 second batch of Guangzhou patent funds	157,500.00	Other income	157,500.00
Offshore platform project	150,000.00	Other income	150,000.00
2019 complete equipment project of total assembly and construction of ships	134,450.73	Research and development expense	134,450.73
Nansha Plant 1# Welding factory section expansion project	103,556.62	Other income	103,556.62
Preparation and implementation of "three rules" of CSSC	90,000.00	Deferred income	
Research of energy-saving and environment-friendly manufacturing system and key processes	87,845.47	Research and development expense	87,845.47
Research on key technology for the design of typical cabins and common areas	83,795.28	Research and development expense	83,795.28
Research of equipment solution to and common key technologies for smart manufacturing of ships	83,795.28	Research and development expense	83,795.28
Research on JC Equipment Design and Construction Standard System and Key Standards Based on MBD	74,000.00	Deferred income	
VAT refund	67,866.00	Other income	67,866.00
Method and technology of data space construction in manufacturing enterprise (Typical industry solutions and applications)	55,863.52	Research and development expense	55,863.52
Marine high-strength steel high-power laser-research and application of arc hybrid welding technology	51,046.54	Research and development expense	51,046.54
Development zone subsidy project	50,000.00	Deferred income	
Research on technology of cruise aesthetics design	48,880.58	Research and development expense	48,880.58

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Type	Amount	Item presented	Amount included in current profit or loss
Improvement in management of information and industrialization integration	44,690.83	Research and development expense	44,690.83
Funding of three rules	40,000.00	Other income	40,000.00
Subsidy for high-quality projects	32,166.60	Non-operating income	32,166.60
Entrepreneurship-driven employment subsidy	30,000.00	Non-operating income	30,000.00
Research of technologies for smart service production scheduling for complex shipbuilding environment	30,000.00	Deferred income	
150 tons self-propelled hydraulic flatbed(Revamp fund)	27,777.78	Other income	27,777.78
Ship pipes high-efficiency production technology upgrading project	25,949.92	Other income	25,949.92
Coating technology and transformation (coating workshop building)	25,616.44	Other income	25,616.44
Subsidies for patents from Shenzhen Market Supervision Bureau	24,800.00	Other income	24,800.00
40000 tons ship to develop new equipment and technological transformation	23,698.64	Other income	23,698.64
National skilled personnel training in 2018	23,194.00	Production cost	23,194.00
Base construction subsidy	10,363.80	Non-operating income	10,363.80
Social Security Subsidy for recruiting people with non-employment difficulties in the 1st quarter of 2020	10,021.92	Non-operating income	10,021.92
Dock adaptive transformation	10,000.00	Other income	10,000.00
Noise control engineering for painting workshop	2,631.58	Other income	2,631.58
Noise control engineering for new area	1,586.66	Other income	1,586.66
Total	213,281,660.77		56,567,708.46

2. Information on return of government grants

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

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(79) Leases

1. As lessor

Operating leases

Item	Amount
① Information on revenue	39,319,853.22
Income from leases	39,319,853.22
② Undiscounted leasing receivable in the balance sheet for the next five consecutive accounting years	141,358,072.69
The first year	56,241,456.57
The second year	50,070,188.52
The third year	24,750,002.80
The fourth year	10,296,424.80
The fifth year	
③ The total amount of undiscounted leasing receivable in remaining years	141,358,072.69
Within one year (including one year)	56,241,456.57
Above one year within two years (including two years)	50,070,188.52
Above two years within three years (including three years)	24,750,002.80
Above three years	10,296,424.80

2. As lessee

Information disclosure of lessees

Item	Amount
Interest expense of lease liabilities	2,032,455.37
Expense of short-term leases included in the current profit and loss	11,637,252.46
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	27,780,694.73
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 period

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
Nanfeng Environment Co., Ltd.	January 2020	78,750,677.93	95.00	Combination not under common control achieved in stage	20 January 2020	The payment for the equity transfer and the registration of equity change were completed.	30,277,682.31	-1,009,656.44

Explanation of the time point, cost, ratio and method of acquiring equity in the previous and current periods:

- (1) Nanfang Environment Co., Ltd. was jointly funded and established by the Group and Guangzhou Guanggong Asset Management Co., Ltd. in May 2017, of which the Group invested RMB 60,000,000 and held 60% of the shares. As the articles of association of the company stipulated that all resolutions must be passed by more than two-thirds of the voting rights (or votes) of the general meeting and the board of directors, the Group was unable to exercise control over it.
- (2) In January 2020, the Group acquired 35% equity interests in Guangzhou Guanggong Asset Management Co., Ltd. at a consideration of RMB27,901,825.00. After the acquisition, the Group held its 95% equity interests and amended the above-mentioned related content of its articles of association, and therefore, was able to exercise control over it.

2. Consideration for combination

Consideration for combination	Nanfeng Environment Co., Ltd.
Cash	27,901,825.00
Fair value at acquisition date of equity held before acquisition date	50,848,852.93
Total combination cost	78,750,677.93
Less: fair value of acquiree's identifiable net assets	80,510,683.80
The difference between fair value of acquiree's identifiable net assets and combination cost	-1,760,005.87

Other explanations:

Explanation of recognition of the fair value of combination cost: The appraised net asset value of the Company at the end of 2018 is continuously calculated as the share of the net assets of combination until 31 January 2020 as the fair value of the combination cost.

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

Name of Company	Nanfeng Environment Co., Ltd.	
	Fair value on the date of purchase	Book value on the date of purchase
Assets:		
Cash at bank and on hand	17,195,407.31	17,195,407.31
Accounts receivable	133,690,696.85	133,690,696.85
Inventories	30,394,057.34	30,394,057.34
Other current assets	9,130,013.47	9,130,013.47
Long-term equity investments	5,494,132.10	5,494,132.10
Fixed assets	23,635,252.92	23,790,479.77
Projects under construction	7,774,091.60	7,774,091.60
Intangible assets	182,830.42	182,830.42
Long-term prepaid expenses	1,406,919.06	1,406,919.06
Other non-current assets	17,987.00	17,987.00
Total assets	228,921,388.07	229,076,614.92
Liabilities:		
Borrowings	25,000,000.00	25,000,000.00
Payables	101,097,513.79	101,097,513.79
Total liabilities	126,097,513.79	126,097,513.79
Net assets:	102,823,874.28	102,979,101.13
Less: minority interests	18,075,786.00	18,075,786.00
Total equity attributable to shareholders of the Company	84,748,088.28	84,903,315.13
Shareholding ratio of acquiree (%)	95.00	95.00
Acquired proportion attributable to the acquiree	80,510,683.80	80,658,149.37

Other explanations:

Method for determining the fair value of identifiable assets and liabilities: The appraised net asset value of the Company at the end of 2018 is continuously calculated as the share of the net assets of combination until 31 January 2020 as the fair value of the combination cost.

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4. Gain or loss arising from equity shares before purchasing date re-calculated per fair value

Name of acquiree	Carrying value at acquisition date of existing shareholdings prior to acquisition date	Fair value at acquisition date of existing shareholdings prior to acquisition date	Gains or losses recalculated by fair value of existing shareholdings prior to acquisition date	Methods and major assumptions by which the fair value of the original equity held by the company prior to the acquisition date is determined	The amount of other comprehensive income that is associated with the original equity held by the company prior to the acquisition date and recognized as investment income
Nanfeng Environment Co., Ltd.	50,848,852.93	50,848,852.93	0	Note	0

Other explanations:

Shanghai Orient Appraisal Co., Ltd. carried out a valuation of all shareholders' interest of Nanfeng Environment on 31 December 2018, and issued an Asset Evaluation Report of the Total Equity Value (Dong Zhou Ping Bao Zi [2019] No. 0141-1), the total equity value of shareholders on 31 December 2018 was RMB 79,719,472.07.

- (1) It is assumed that all assets to be appraised are in the trading process, and the appraisal is based on the simulated market including the trading conditions of the assets to be appraised by the asset valuer.
- (2) It is assumed that the market conditions for which its assets intend to enter are fully developed and perfect and a willing buyer and a willing seller each has, on an equal status, the opportunities and time to obtain market information, whereby the transaction is conducted on a voluntary, rational, non-mandatory and unrestricted basis by the buyer and the seller.
- (3) It is assumed that it is capable of continuous and legal operation in its status quo with the existing assets, resources and conditions during its term of operation in the foreseeable future. There will not be any material adverse changes to its operating conditions.

(2) Disposal of equity interests in subsidiaries in the period

1. Details of cessation of control arising from one-off disposal of investment in subsidiaries

Subsidiaries	Consideration for equity disposal	Percentage of equity disposal(%)	Method of equity disposal	Timing of losing control	Basis for determination of timing of losing control	Difference between consideration for disposal and net assets of the subject subsidiary attributable to the Company under consolidated financial statements	Ratio of the remaining equity at the date of losing control(%)	Book value of the remaining equity at the date of losing control	Fair value of the remaining equity at the date of losing control	Gain/loss arising from remeasurement of remaining equity at fair value	Recognition and assumption for fair value of the remaining equity at the date of ceased control	Profit arising from transformation of other comprehensive income which is related to equity investment of the original subsidiary
Guangzhou Shipyard International Company Limited	2,867,883,200.00	27.4214	Assignment by agreement	February 2020		1,041,208,429.17	46.3018	3,067,506,104.87	4,825,615,654.18	1,758,109,549.31		

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Other explanations:

1. The first extraordinary general meeting of 2019 held on 23 October 2019, approved the matters relating to the disposal of 27.4214% of the equity interests in Guangzhou Shipyard International Company Limited* (廣船國際有限公司) by the Company to China CSSC Holdings Ltd.* (中國船舶工業股份有限公司) (“CSSC Holdings”) at a consideration of RMB 2,857,883,200.00 where CSSC Holdings shall pay the transfer consideration by way of non-public issuance of its A shares to the Company. In February 2020, China Securities Regulatory Commission issued “Reply in relation to Approving the issuance of Shares of China CSSC Holdings Ltd. to China State Shipbuilding Corporation Limited for Assets Acquisition and Fund-raising” (Zheng Jian Xu Ke [2020] No. 225) to approve the CSSC Holdings to issue shares to the Company and other specified investors to purchase 27.4214% of Guangzhou Shipyard International Company Limited and related assets. In February 2020, the Company’s shareholding ratio in GSI was changed from 73.7232% to 46.3018% due to the disposal of part of the equity. It lost its control of GSI and was no longer included in the scope of the consolidation. However, the Company was able to have significant influence on GSI after the disposal, and therefore, it used the equity method for accounting, and which is used for adjustment when deemed to be acquired.

The transaction had completed all substantive approval procedures before the end of February 2020, and 29 February 2020 was taken as the time for loss of control.

2. Shanghai Orient Appraisal Co., Ltd carried out a valuation of all shareholders’ interest of GSI on 30 April 2019, and issued an Asset Evaluation Report of Proposed Acquisition of 51% Equity interests in GSI Involving Total Equity Value (Dong Zhou Ping Bao Zi [2019] No. 0530), the total equity value of shareholders of GSI on 30 April 2019 was RMB10,541,090,834.88.

As the distance between the valuation date (30 April 2019) and the time of loss of control (29 February 2020) are less than one year, the fair value of the remaining equity on the date of loss of control is still determined based on the total equity value of shareholder on the 30 April 2019, which is based on the following assumptions:

- (1) It is assumed that, under the current status of its assets and resources, the appraised entity could continue its production and operation business as it is lawfully during the term of operation in foreseeable future, without undergoing material and adverse changes in its operation.
- (2) It is assumed that the outer economic environment concerning the country’s current and relevant laws, macroeconomy, financial and industrial policy will not undergo unforeseeable material unfavourable changes after the date of valuation, nor will there be any material impact caused by force majeure and any other unforeseeable factor.
- (3) It is assumed that the socio-economic environment of where it is located, and the fiscal policies thereof, such as taxation and tax rates, have not undergone material changes; and that the financial policies, including credit policies, interest rates and exchange rates, remain generally stable.
- (4) The current and future operations of it are in compliance with laws and regulations, and in line with relevant agreements in its business license and articles of association.

(3) Changes in the consolidation scope for the period

As a result of the above-mentioned matters, the scope of the Group’s consolidation in the current period has added three subsidiaries including Nanfang Environment Co., Ltd., Jiangxi South Ring Environmental Protection Co., Ltd. and Hebei South Ring City Mineral Development Co., Ltd..

Since 29 February 2020, Guangzhou Shipyard International Company Limited and its subsidiaries will no longer be included in the scope of the consolidation. The scope of consolidation of the Group for the current period reduced 17 subsidiaries, namely: Guangzhou Shipyard International Company Limited (“GSI”), Guangzhou Longxue Pipe Co., Ltd. (“Longxue Pipe”), Guangzhou United Steel Structures Limited (“United Steel”), Guangdong Shipyard International Elevator Co. Ltd (“Elevator Co.”), Guangzhou Hongfan Technology Co., Ltd (“Hongfan Technology”), Guangzhou Guangli Shipbuilding Human Resources Service Company Limited (“Guangli”), Guangzhou Hongfan Hotel Co., Ltd. (“Hongfan Hotel”), Glory Group Development Limited (“Glory Group”), Fonkwang Development Limited (“Fonkwang”), Eastwell Engineering Limited (“Eastwell Engineering”), Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd. (“Equipment Company”), Zhongshan GSI Marine Engineering Company Limited (“Zhongshan GSI”), Guangzhou Wencheng Shipbuilding Co., Ltd. (including Guangzhou Wenchong Dockyard Co., Ltd which was absorbed and merged by it), Nanfang Environment Co., Ltd., Jiangxi South Ring Environmental Protection Co., Ltd. and Hebei south city of Mineral Development Co., Ltd..

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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	
Subsidiary indirectly held through two-level structures: 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		40.50	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	11,000		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
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	3,005		100.00	Business combination under common control

Other explanations:

- (1) 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.
- (2) CSSC New Energy has three shareholders. In accordance with the agreement on acting in concert entered into between Wenchuan Industrial Shenzhen Gangwan Engergy Co., Ltd. and Guangzhou Jinglue Engergy Development Co., Ltd., Wenchuan Industrial owns 100% voting rights of CSSC New Energy and has actual control over CSSC New Energy.
- (3) United Steel, Xingji and Wenchong Bingshen are all sino-foreign joint ventures.

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2. Significant non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interests	Gain or loss attributable to minority interests for the period	Dividends declared to minority interests for the period	Ending balance of minority interests
Huangpu Wenchong	45.4629%	-111,022,787.69		2,992,181,048.38

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
Huangpu Wenchong	1,895,271.34	782,064.64	2,677,335.98	1,592,039.03	393,354.73	1,985,393.76	2,049,336.12	775,233.59	2,824,569.71	1,690,256.19	422,803.33	2,113,059.52

(Continued)

Name of subsidiary	Amount for the period				Amount for last period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Huangpu Wenchong	355,945.69	-24,349.48	-24,417.96	-324,956.63	453,227.00	102,056.58	102,569.87	-211,510.02

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

None.

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

None.

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

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(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	
CSSC Chengxi Yangzhou Shipbuilding Company Limited	Yangzhou	Yangzhou	Shipbuilding	49.00		Equity method
Guangzhou Shipyard International Company Limited	Guangzhou	Guangzhou	Metal shipbuilding	46.3018		Equity method

Other explanations: The Group had 60% of shareholding in Nanfang Environment Co., Ltd, according to Articles of Association the Group and other shareholders implemented common control on Nanfang Environment Co., Ltd and equity method was adopted for accounting. Nanfang Environment had become a Shareholding Subsidiary of GSI on 1 February 2020 and was disposed of with GSI on 29 February 2020. (please see note VII).

2. Key financial information of significant joint ventures

Item	Nanfang Environment Co., Ltd.	
	Ending balance/ Amount for the period	Beginning balance/ Amount for last period
Current assets:		210,041,365.19
Including: Cash and cash equivalents		21,122,753.01
Non-current assets		38,055,405.35
Total assets		248,096,770.54
Current liabilities:		147,535,398.49
Non-current liabilities		
Total liabilities		147,535,398.49
Minority interests		16,558,233.36
Equity attributable to shareholders of the Company		84,003,138.69
Share of net assets based on shareholding percentage		50,401,883.21
Adjustments		-93,136.11
Carrying amount of equity investments in joint ventures		50,308,747.10
Fair value of investments in joint ventures with public quoted prices		
Operating income	13,125,155.16	221,989,947.93
Finance costs	407,820.17	409,647.61
Income tax expense	78,949.46	1,352,258.55
Net profit	2,417,729.08	-706,873.41
Total comprehensive income	2,417,729.08	-706,873.41
Dividends received from joint ventures during the period		

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3. Key financial information of significant associates

Item	CSSC Chengxi Yangzhou Shipbuilding Company Limited		Guangzhou Shipyard International Company Limited	
	Ending balance/ Amount for the period	Beginning balance/ Amount for last period	Ending balance/ current period	Beginning balance/ corresponding period of last year
Current assets		463,630,505.41	14,024,538,814.62	
Including: Cash and cash equivalents		17,872,978.15	5,080,654,701.77	
Non-current assets		1,046,204,336.27	10,209,269,909.88	
Total assets		1,509,834,841.68	24,233,808,724.50	
Current liabilities		201,865,422.65	14,849,247,749.71	
Non-current liabilities			2,504,983,125.13	
Total liabilities		201,865,422.65	17,354,230,874.84	
Minority interests			98,272,294.23	
Equity attributable to shareholders of the Company		1,307,969,419.03	6,781,305,555.43	
Share of net assets based on shareholding percentage		640,905,015.33	3,139,866,535.67	
Adjustments				
- Goodwill				
- Unrealized profit from intra-group transactions				
- Others		521,273.01	1,677,264,361.63	
Carrying amount of equity investments in associates		641,426,288.34	4,817,130,897.30	
Fair value of equity investments in associates with public quoted prices				
Operating income	597,150,922.34	300,860,797.77	3,850,915,985.25	
Finance costs	-415,082.47	-1,036,239.78	7,180,970.97	
Income tax expense	150,244.36	178,484.37	3,890,015.12	
Net profit	450,733.06	535,453.10	-208,039,676.25	
Other comprehensive income			-677,499.12	
Total comprehensive income	450,733.06	535,453.10	-208,717,175.37	
Dividends received from associates during the period		86,694.62		

4. Aggregated financial information of insignificant joint ventures and associates

Item	Ending balance/ Amount for the period	Beginning balance/ Amount for last period
Joint ventures:		
Total carrying amount of investments		1,215,232.17
Amounts in aggregate in proportion to the shareholdings		
- Net profit		-960,757.52
- Other comprehensive income		
- Total comprehensive income		-960,757.52
Associates:		
Total carrying amount of investments	3,787,919.98	60,744,771.11
Amounts in aggregate in proportion to the shareholdings		
- Net profit	1,190,620.73	-16,378,916.74
- Other comprehensive income		
- Total comprehensive income	1,190,620.73	-16,378,916.74

5. Major restrictions on the ability of joint venture or associate to transfer funds to the Company

None

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

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

(1) Various risk management objectives and policies

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

1. Market risk

(1) Foreign currency risk

The Group's foreign exchange exposure is mainly related to USD, HKD and EUR. Except that the Group is using foreign currencies including USD, HKD and EUR for sales and purchase transactions in respect of shipbuilding business, other main business operations of the Company are denominated and settled in RMB. As at the end of the period, except for assets and liabilities with balances in USD, HKD, MOP, EUR, GBP and JPY set out below, all other assets and liabilities of the Group were denominated in RMB. The recognised assets and liabilities in USD and the unrecognised ship settlement in USD shown in the table below, leading to foreign currency risk, may affect the results of operation of the Group.

Item	Ending balance	Beginning balance
Cash and cash equivalents-USD	23,081,364.74	98,777,370.58
-HKD	9,191,653.52	106,160,048.27
-EUR	921,333.15	20,607,870.44
-JPY	125,329.00	125,333.00
-GBP		917.30
-Norwegian Krone		6.50
Accounts receivable-USD	2,947,336.00	169,159,650.49
-MOP		3,277,585.17
-EUR		5,279.42
-HKD	13,439,671.28	35,257,673.77
Other receivables-USD		12,623,230.63
-HKD		8,500,782.42
-EUR		110,400.00
Long-term receivables due within one year-USD		183,760,873.27
Long-term receivables-USD	205,130,688.57	
Accounts payable-USD	24,601,612.61	3,537,020.98
-EUR	23,790,338.56	55,200.00
-HKD		16,625,835.44
Other payables-USD		2,632,372.96
-HKD		6,620,458.42
Short-term borrowings-USD		34,598,800.00
Long-term payables-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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From 1 January 2020 to 30 June 2020

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(2) Interest rate risk

The interest rate risk of the Group is generated from bank borrowings with interest rate. Floating-rate financial liabilities expose the Group to cash flow interest rate risk, and fixed-rate financial liabilities expose the Group to fair value interest rate risk. The Group adjusts the relative percentage of contracts with floating rates and fixed rates in view of the then market environment. As at the end of the period, the Group's bank borrowings mainly included fixed interest rate contracts denominated in RMB and USD with total amount of RMB3,692,200,000.00 (at the beginning of the year: RMB8,231,739,148.56) and floating interest rate contracts denominated in RMB and USD with total amount of RMB4,010,000,000.00 (at the beginning of the year: RMB6,205,000,000.00).

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

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

(3) Price risk

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

2. Credit risk

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

Book value of the recognised financial assets in the consolidated balance sheet; as for financial instruments measured at fair value, book value reflects their exposures to risks, but not the maximum exposure to risks which shall be changed as changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit and executing supervisory procedures, has been established within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. In addition, the Group reviews the collection of each single receivable at the balance sheet date to ensure sufficient provision for bad debts is made for unrecoverable amounts. Therefore, the management considers that credit risks facing the Group have been reduced significantly.

The current funds of the Group are deposited in financial institutions including banks with high credit ratings, thus the credit risk of current funds is relatively low.

The Group has adopted necessary policies to ensure that all clients have good credit history. The Group has no other significant concentration of credit risk except for the top five accounts receivable and long-term receivables.

Top five accounts receivable amounted to RMB603,320,348.52 (at the beginning of the year: RMB902,084,695.32) in total; long-term receivables amounted to RMB2,274,370,404.32 (at the beginning of the year: RMB2,827,870,145.86) 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 period, the unutilised bank facilities of the Group were RMB21.649 billion (at the beginning of the year: RMB26.078 billion).

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From 1 January 2020 to 30 June 2020

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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:

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets:					
Cash at bank and on hand	6,636,224,686.49				6,636,224,686.49
Financial assets					
held-for-trading	4,180,994.91				4,180,994.91
Notes receivable	102,808,726.99				102,808,726.99
Accounts receivable	1,303,961,817.94				1,303,961,817.94
Other receivables	141,271,541.39				141,271,541.39
Long-term receivables	546,717,983.79	1,034,039,702.44	705,078,884.51	119,969,092.50	2,405,805,663.24
Other current assets-					
Entrusted wealth					
management product	720,000,000.00				720,000,000.00
Investments in other					
equity instruments				3,829,873,557.03	3,829,873,557.03
Financial liabilities:					
Short-term borrowings	2,495,567,411.10				2,495,567,411.10
Financial liabilities					
held-for-trading	109,244,763.92				109,244,763.92
Notes payable	941,011,081.06				941,011,081.06
Accounts payable	4,569,667,423.85				4,569,667,423.85
Other payables	156,910,922.99				156,910,922.99
Employee benefits payable	65,651,104.58				65,651,104.58
Long-term employee					
benefits payable	8,100,000.00	19,280,000.00	54,700,000.00	142,530,000.00	224,610,000.00
Long-term borrowings	2,276,931,549.85	1,788,146,901.67	45,330,480.00	1,441,565,849.33	5,551,974,780.85

(2) Sensitivity analysis

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

1. Exchange rate risk sensitivity analysis

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

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

Item	Change in exchange rate	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Strengthen by 5% against RMB	-50,978,073.28	-50,978,073.28	79,663,622.71	79,663,622.71
USD	Weaken by 5% against RMB	50,978,073.28	50,978,073.28	-79,663,622.71	-79,663,622.71

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From 1 January 2020 to 30 June 2020

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

2. Interest rate risk sensitivity analysis

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

- (1) Changes in market interest rate affect the interest income or expenses of floating-rate financial instruments;
- (2) For fixed-rate financial instruments measured at fair value, the changes in market value affect their interest income or expenses only;
- (3) 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 period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-33,880,000.00	-33,880,000.00	-25,875,000.00	-25,875,000.00
Floating-rate borrowings	Decrease by 1%	33,880,000.00	33,880,000.00	25,875,000.00	25,875,000.00

X. DISCLOSURE OF FAIR VALUE

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

Item	Level 1 fair value measurement	Fair value at the end of the period			Total
		Level 2 fair value measurement	Level 3 fair value measurement		
I. Fair value measurement on a recurring basis					
(i) Financial assets held-for-trading		4,180,994.91			4,180,994.91
1. Financial assets at fair value through profit or loss		4,180,994.91			4,180,994.91
(ii) Investment in other equity instruments	3,795,913,607.80		33,959,949.23		3,829,873,557.03
1. Financial assets at fair value through other comprehensive income	3,795,913,607.80		33,959,949.23		3,829,873,557.03
Total assets measured at fair value on a recurring basis	3,795,913,607.80	4,180,994.91	33,959,949.23		3,834,054,551.94
(ii) Financial liabilities held-for-trading		109,244,763.92			109,244,763.92
1. Financial liabilities at fair value through profit or loss		109,244,763.92			109,244,763.92
Total liabilities measured at fair value on a recurring basis		109,244,763.92			109,244,763.92

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(2) Basis for determination of level 1 fair value measurement

Level 1 fair value measurement refers to shares of listed companies in non-trading equity instrument investments, and the market price is determined based on the value of the open market stocks.

(3) Basis for determination of level 2 fair value measurement

Level 2 fair value measurement refers to forward exchange contracts out of financial assets held-for-trading and financial liabilities held for-trading, 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 to be measured at fair value

Level 3 fair value measurement refers to the equity investments 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 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 Company 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 period	Decrease for the period	Ending balance
CSSC	RMB32 billion			RMB32 billion

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

Controlling shareholder	Shareholding amount		Percentage of shareholding (%)		Remarks
	Ending balance	Beginning balance	Percentage at the end of the period	Percentage at the beginning of the year	
CSSC	501,745,100.00	501,745,100.00	35.50	35.50	Parties acting in concert
CSSC 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)" for details of the subsidiaries of the Company.

3. Joint ventures and associates

For details of joint ventures and associates, please refer to the relevant content of this Note "VIII(3)".

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4. 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
	Anqing Marine Electric Co., Ltd	Purchase of goods and receipt of services	771102718
	Anqing CSSC Diesel Engine Co., Ltd	Product and equipment	151306277
	Beijing Ship Industry Management College	Purchase of goods and receipt of services	40000123X
	Beijing Leiyin Electronic Technology Development Co., Ltd.	Purchase of goods and receipt of services	633641027
	Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.	Fixed assets	75601961-7
	Beijing the Great Wall Electronic Equipment Co., Ltd.	Marine accessories	10190797-1
	China Shipbuilding IT Co., Ltd.	Sale of goods and provision of services	802042333
	Dalian Shipbuilding Technology Research Center Co., Ltd.	Purchase of goods and receipt of services	723461441
	Dalian Shipbuilding Industry Engineering Company Limited	Design and technical services	24301148-4
	Dalian Shipbuilding Industry Marine Engineering Company Limited	Purchase of goods and receipt of services	241233809
	Dalian Ship Valve Company Limited	Purchase of goods and receipt of services	118521792
	CSSC Dalian Marine Propeller Co., Ltd.	Purchase of goods and receipt of services	118475968
	Dalian Shipping Factory Tools Industry Company	Materials purchased	24316490-7
	CSSC Dalian New Consumables Co., Ltd.	Purchase of goods and receipt of services	89099384
	Marinequip China Company Limited	Marine accessories	
	Guangzhou Shipyard International Company Limited	Sale of materials	788925331
	Guangdong Shipyard International Elevator Co. Ltd	Technical services and labour	231128917
	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Sale of materials	81176031
	Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Labour services	07654776-6
	Guangzhou Ship Industrial Co., Ltd.	Sale of materials	190506722
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	Sale of goods and provision of services	717806431
	Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	Materials purchased and labour services	68132734X
	Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd., Nanhai branch	Materials purchased	334733060
	Guangzhou Shipyard HR Service Co., Ltd.	Labour and technical services	664021381
	Guangzhou GSI Nursing Home Co., Ltd.	Sale of goods	MA59L7Q0-3
	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and receipt of services	231250517
	Guangzhou Hongfan Technology Co., Ltd.	Materials purchased and fixed assets	708257645
	Guangzhou Huamao Center	Provision of services	618407582
	Technician Training School of Guangzhou Huangpu Shipyard	Labour and technical services and supply of power	
	Kindergarten of Guangzhou Huangpu Shipyard	Provision of services	738577981
	Workers' Hospital of Guangzhou Huangpu Shipyard	Provision of services	738578028
	Guangzhou Longxue Pipe Co., Ltd.	Labour services	696938450
	Guangzhou Hongfan Hotel Co., Ltd.	Design and technical services	633203529
	Guangzhou Wencheng Shipbuilding Co., Ltd.	Sale of materials	MA5CY9PU1
	Technician Training School of Guangzhou Shipyard	Provision of services	574022487
	Guangzhou Shipyard Hospital	Purchase of goods and receipt of services and provision of services	
	Guangzhou Shipyard Co., Ltd	Sale of materials, supply of power, Labour services and technical services	190440532
	Guangzhou Shipyard Co., Ltd (Foshan Zhuduan Branch)	Materials purchased	765736335
	Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	Labour services	759441020
	Guangzhou Wenchong Industrial Co., Ltd.	Other receivables	MA5CK3CP5
	Guangzhou Zhongdan Ship Design Co., Ltd.	Sale of goods and provision of services	MA5ARBB96
	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and receipt of services	82890640
	Haiying Enterprises Group Co., Ltd.	Purchase of goods and receipt of services	134757367
	Hebei south city of Mineral Development Co., Ltd.	Sale of goods and provision of services	MA09F3E04
	Henan Diesel Engine Heavy Engineering Co., Ltd.	Purchase of goods and receipt of services	663439559
	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	Purchase of goods and receipt of services	70326335X
	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	669401543
	Eastern Shanghai Heavy Machinery Co., Ltd.(Shanghai Accessories Branch)	Marine complements and equipment	
	Wah-Chang International Marine Industry Company Limited	Sale of goods and provision of services	XG7250000

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Type of relationship	Name of related party	Content of major transactions	Code of organisation
	China United Shipbuilding Company Limited	Marine accessories and design and technical services	
	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	Marine accessories	67301984-9
	Jiangnan Shipbuilding (Group) Co., Ltd	Labour and technical services	132204312
	Jiangxi Chaoyang Machinery Co., Ltd.	Purchase of goods	15826148-9
	Jiujiang CSSC Valve Complete Equipment Co., Ltd.	Purchase of goods and receipt of services	598860469
	Jiangxi CSSC Navigation Instrument Co., Ltd.	Purchase of goods and receipt of services	159500541
	Jiangyin Huaerxin Special Coating Co., Ltd.	Sale of goods and provision of services	60798463-2
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	769756704
	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and receipt of services	705640569
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	769750177
	Kunming Shipping Equipment Corporation	Purchase of goods and receipt of services	216523927
	Nanfeng Environment Co., Ltd.	Sale of goods and provision of services	MA59N24L-2
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	742362916
	CSSC Nanjing Luzhou Machine Co., Ltd.	Marine complements and equipment	134905382
	Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	733509701
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Purchase of goods and receipt of services	750419038
	Xiamen Sunrui Ship Coatings Co., Ltd.	Purchase of goods and receipt of services	761709479
	Shanxi Fenxi Heavy Industry Co., Ltd	Purchase of goods and receipt of services	770110265
	Shaaxi Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	755231771
	Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Receipt of services and provision of services	717810086
	Shanghai Merchant Vessel Design and Research Institute	Provision of services and technical services	
	Shanghai Dongxin Software Engineering Co., Ltd.	Purchase of goods and receipt of services	73745754X
	hanghai Haixun Electrical Engineering Co., Ltd.	Marine accessories	751896055
	Shanghai Hengto Shipping Equipment Co., Ltd.	Purchase of goods and receipt of services	67816848
	Shanghai Hengtuo Industrial Development Co., Ltd.	Purchase of goods and receipt of services	682276775
	Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of goods	63114750-0
	Shanghai Huajing Power Station Equipment Co., Ltd.	Purchase of goods and receipt of services	631256379
	Shanghai Jiangnan Career Skills Training Center	Purchase of goods and receipt of services	
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Materials purchased and labour services	132923392
	Shanghai Ling Yao Ship Engineering Co., Ltd.	Purchase of goods and receipt of services	55059886
	Qiyao Power Systems Co., Ltd	Purchase of goods and receipt of services	690197284
	Shanghai Qiyao Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	342099741
	Shanghai Shenbo Information System Engineering Co., Ltd.	Purchase of goods and receipt of services	630903554
	Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Rudder system design and manufacture	631142022
	Shanghai Simifu Industrial Co., Ltd.	Marine accessories	13223150-5
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	Purchase of goods and receipt of services	631898873
	Shanghai CSSC Materials Engineering Co., Ltd.	Purchase of goods and receipt of services	593108825
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Marine complements and equipment	766907124
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Sale of materials	755729481
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials purchased and fixed assets	674647097
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Marine accessories	765585565
	Suzhou Jianghai Communication Co., Ltd.	Purchase of goods and receipt of services	137718398
	Wuxi Haiying Jiake Marine Technology Co., Ltd	Purchase of goods and receipt of services	76418316-9
	Wucang Shipbuilding Industry Group Co., Ltd.	Purchase of goods and receipt of services	177688517
	Wuhan Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	758151128
	Wuhan Haiji Science and Technology Limited Company	Purchase of goods and receipt of services	81965102
	Wuhan Huazhongtianqin Defense Technology Co., Ltd.	Purchase of goods and receipt of services	587974989
	Wuhan Lingan Technology Co., Ltd.	Purchase of goods and receipt of services	574947447
	Wuhan Temo Welding Consumables Co., Ltd.	Purchase of goods and receipt of services	761211961
	Wuhan Changhai Power Propulsion and Chemical Power Co., Ltd.	Sale of goods and provision of services	333568518
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	Purchase of goods and receipt of services	177685180
	Xi'an Hualei Machinery and Electronics Group Co., Ltd.	Purchase of goods and receipt of services	779925436
	Yangzhou Haike Electronic Technology Co., Ltd.	Purchase of goods and receipt of services	729318355
	Yichang Marine Diesel Co., Ltd	Purchase of goods and receipt of services	179161663
	Yinghui South Marine Tower (Guangzhou Fanyu) Co., Ltd.	Purchase of goods and receipt of services	618784230
	Zhenjiang Modern Power Generation Equipment Co., Ltd.	Marine complements and equipment	782067313
	CSSC Finance Company Limited	Sale of goods and provision of services	100027155
	CSSC Chengxi Shipbuilding Co., Ltd.	Labour services	142243024
	CSSC Chengxi Xinrong Shipbuilding Company Limited	Sale of goods and provision of services	755884625
	China Shipbuilding NDRI Engineering Co., Ltd.	Hydraulic trolley	425014619

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

Type of relationship	Name of related party	Content of major transactions	Code of organisation
	CSSC Electronic Technology Co., Ltd	Materials purchased	10201629X
	CSSC Marine Power Institute Co., Ltd.	Purchase of goods and receipt of services	566594282
	CSSC Marine Power Co. Ltd.	Marine accessories	731778430
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	56586979
	China Shipbuilding Industry Complete Logistics Co., Ltd.	Marine complements and equipment	51227838
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sale of materials and provision of services	59544985
	CSSC Guijiang Shipbuilding Co., Ltd.	Sale of materials and labour and technical services	199125619
	China Shipbuilding International Trading Co., Ltd	Labour and technical services	703424416
	CSSC Marine Services Co., Ltd.	Materials purchased	MA1K3M2Q9
	CSSC Marine Technology Co., Ltd.	Sale of goods and provision of services	767236625
	CSSC Hua Hai Ships Equipment Co., Ltd.	Materials purchased	132203280
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Labour and technical services	677764045
	CSSC Southern China Ship Machinery Co., Ltd.	Labour and technical services	199124798
	CSSC Jiujiang Boiler Co., Ltd.	Purchase of goods and receipt of services	MA388PRP8
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	Other receivables	858263725
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Marine complements and equipment	132943529
	China Ship Survey and Research Institute, Pudong Branch	Purchase of goods and receipt of services	132943529
	CSSC Science & Technology Co., Ltd.	Sale of materials and labour and technical services	132283663
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Materials purchased	MA1MQMDU9
	China Shipbuilding Trading Guangzhou Co., Ltd.	Materials purchased	MA5AKBD90
	CSSC Financial Leasing (Shanghai) Co., Ltd.	Other receivables	90006392
	CSSC Xijiang Shipbuilding Co., Ltd.	Supply of utilities	198600924
	CSSC Liner Technology Development Co., Ltd.	Sale of goods and provision of services	MA1H7TCR9
	CSIC (Shanghai) Energy Saving Technology Development Co., Ltd.	Purchase of goods and receipt of services	324445479
	CSIS(Shenyang) Microbe Free Technologies Corporation	Design and technical services	MA0U8RJ61
	CSIC Electrical Machinery Science&Technology Co., Ltd.	Purchase of goods and receipt of services	784951110
	CSIC Electrical Machinery Science&Technology Co., Ltd. (Taiyuan)	Other receivables	785848027
	CSIC Haisheng Technology Co., Ltd.	Purchase of goods and receipt of services	760672977
	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd.	Purchase of goods and receipt of services	56671524
	CSIC material trade group Guangzhou Co., Ltd	Materials purchased	552381964
	CSIC material trade group Guangzhou Co., Ltd, liquor industry branch	Design and technical services	54526091
	CSIC Material Trade (Group) Co., Ltd.	Purchase of goods and receipt of services	710934190
	CSIC Zhongnan Equipment Co., Ltd.	Purchase of goods and receipt of services	757020943
	CSIC Chongqing Changping Machinery Co., Ltd.	Purchase of goods and receipt of services	207901754
	CSSC Heavy Equipment Co., Ltd.	Sale of materials and Labour and technical services	799437720
	CSSC (Hong Kong) Shipping Company Limited	Sale of goods and provision of services	#51105RE3
	China Ship Power Station Equipment Co., Ltd.	Marine complements and equipment	756976070
	China Shipbuilding Industry Corporation 11 Research Institute	Purchase of goods and receipt of services	
	China State Shipbuilding Corporation Limited	Sale of goods and provision of services	710924478
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Materials purchased	190550010
	China Shipbuilding Trading Shanghai Co., Ltd.	Sale of materials and Labour and technical services	132207644
	China Shipbuilding Trading Co., Ltd.	Sale of materials	100001027
	China Shipbuilding Industry Trade (BVI) Co., Ltd	Materials purchased	
	China Shipbuilding Equipment & Materials Northeast Corporation	Materials purchased	117660571
	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	Other receivables	190332072
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd, Shipping Building	Design and technical services	70767851X
	CSSC Systems Engineering Research Institute	Labour and technical services	400000675
	China Shipbuilding Technology Institute	Labour and technical services	400000472
	Marine Design and Research Institute of China	Labour and technical services	425007603

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Type of relationship	Name of related party	Content of major transactions	Code of organisation
	China Shipbuilding Group Co., Ltd. 725 Research Institute	Materials purchased	
	CSSC Scientific Research Center (Shanghai)	Materials purchased	
	CSIC Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	MA3DKDQ98
	China Shipbuilding Industry Corporation 702 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 707 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 722 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 726 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 723 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 725 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 709 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 704 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 701 Research Institute	Materials purchased and design and technical services	
	China Shipbuilding Industry Corporation 7 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 718 Research Institute	Materials purchased	
	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	Materials purchased	
	China Shipbuilding Industry Corporation 717 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 713 Research Institute	Purchase of goods and receipt of services	712675452
	China Shipbuilding Industry Corporation 715 Research Institute	Materials purchased	
	China Shipbuilding Industry Corporation 711 Research Institute	Materials purchased and design and technical services	
	China Shipbuilding Industry Corporation 12 Research Institute	Purchase of goods and receipt of services	435721982
	China Shipbuilding Industry Corporation 705 Research Institute, Kunming Branch	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 703 Research Institute	Purchase of goods and receipt of services	414001783
	China Shipbuilding Industry Corporation 724 Research Institute	Purchase of goods and receipt of services	
	China Shipbuilding Industry Corporation 710 Research Institute	Purchase of goods and receipt of services	
	Shanghai Sanjin Technology Development Co., Ltd.	Purchase of goods and receipt of services	630619545
	CSIC Heng Yuan Technology Co., Ltd.	Purchase of goods and receipt of services	207901922
	Zhongshan GSI Marine Engineering Company Limited	Purchase of goods and receipt of services	684420937
	Chongqing Hongjiang Machinery Co., Ltd.	Purchase of goods and receipt of services	202845837
	Chongqing Hengshan Machinery Co., Ltd	Purchase of goods and receipt of services	207902191
	Chongqing Gearbox Co., Ltd	Purchase of goods and receipt of services	203550723
	Chongqing Huayu Electrical Group Limited	Purchase of goods and receipt of services	202826724
	Chongqing Jiangjin Shipbuilding Industry Co., Ltd	Purchase of goods and receipt of services	576196464
	Chongqing Yaojin Machinery Plant Co., Ltd.	Purchase of goods and receipt of services	202899261
	Zibo Torch Energy Co., Ltd.	Purchase of goods and receipt of services	203550723
Enterprises under control of joint ventures of controlling shareholder and ultimate controller			
	Guangzhou Shipyard Shipping Co., Ltd. (a wholly-owned subsidiary of Lease of assets Shanghai Lingxiang)		32097191-4
	TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	660813517
	TTS Hua Hai International Trading Co., Ltd.	Marine accessories	698750056
	TTS Bohai Machinery (Dalian) Co., Ltd	Sale of materials	77301107-8
	Guangzhou Diesel Engine Factory Co., Ltd, Zhongshan Branch	Labour and technical services	MA4WT8A90
	Wartsila CME Zhenjiang Propeller Co., Ltd.	Materials purchased	761020727
	CSSC Huangpu Zhengli Offshore Engineering Co., Ltd	Other receivables	MA2Y9Q5W5
	Wartsila Qiyao Diesel Co., Ltd. (Shanghai)	Purchase of goods and receipt of services	77851060X

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

(ii) Consolidated related party transactions

The Company and CSSC signed the 2020-2022 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

(1) Purchase of goods/receipt of services

Related party	Content of related party transaction	Current period	Corresponding period of last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Materials purchased	1,622,608,152.28	1,965,549,635.88
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	221,620,438.05	40,170,941.38
China United Shipbuilding Company Limited	Marine accessories, design and technical services	94,631,127.02	261,449,858.41
China Shipbuilding Industry Corporation 715 Research Institute	Materials purchased	84,314,000.00	
China Shipbuilding Industry Corporation 704 Research Institute	Materials purchased	55,474,200.00	
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	Labour services	54,308,360.20	
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Fixed assets	40,111,581.50	
Anqing CSSC Diesel Engine Co., Ltd	Marine accessories	33,663,508.50	346,418.11
CSIC material trade group Guangzhou Co., Ltd.	Materials purchased	25,009,381.92	
Shanghai Merchant Vessel Design and Research Institute	Labour and technical services	23,146,600.00	8,743,200.00
CSSC Marine Power Co., Ltd.	Marine accessories	21,631,978.83	41,733,881.24
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Marine accessories	19,300,683.15	154,922,635.09
China Shipbuilding Industry Corporation 701 Research Institute	Materials purchased, design and technical services	17,724,202.50	
China Shipbuilding Industry Corporation 711 Research Institute	Materials purchased, design and technical services	16,582,152.24	
China Shipbuilding Trading Guangzhou Co., Ltd.	Materials purchased	16,444,406.12	5,678,443.43
CSSC Nanjing Luzhou Machine Co., Ltd.	Marine complements and equipment	15,832,248.51	6,168,997.64
Beijing the Great Wall Electronic Equipment Co., Ltd.	Marine accessories	14,842,400.00	
Guangzhou Shipyard International Company Limited	Materials purchased and technical labour services	14,045,018.38	
CSSC Systems Engineering Research Institute	Marine complements and equipment	11,500,000.00	62,029,230.17
Marinequip China Company Limited	Marine accessories	9,128,655.97	104,422,331.85
China Shipbuilding Equipment & Materials Northeast Corporation	Materials purchased	8,499,692.40	
Guangzhou Longxue Pipe Co., Ltd.	Labour services	7,315,792.12	

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Related party	Content of related party transaction	Current period	Corresponding period of last year
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	6,608,205.32	4,762,806.90
Shanghai Starr Ship Ocean Engineering Services Co., Ltd.	Marine accessories	6,550,852.48	2,114,994.70
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials purchased, fixed assets	6,354,663.01	10,585,224.54
China Shipbuilding Industry Corporation 007 Research Institute	Materials purchased	6,326,000.00	
Guangzhou Ship Industrial Co., Ltd.	Materials purchased	6,001,610.81	5,285,700.46
Guangzhou Shipyard Co., Ltd	Purchase of materials, marine accessories and technical labour services	5,897,065.26	12,257,479.93
TTS Hua Hai Ships Equipment Co., Ltd.	Materials purchased	5,757,887.17	9,879.31
Guangzhou Shipyard HR Service Co., Ltd.	Labour services	5,678,279.67	12,699,106.26
Guangzhou Zhongdan Ship Design Co., Ltd.	Design and technical services	5,482,080.00	
Shanghai Haixun Electrical Engineering Co., Ltd.	Marine accessories	5,309,734.51	3,300,000.00
China Shipbuilding NDRI Engineering Co., Ltd.	Fixed assets, labour and technical services	5,302,060.73	59,423,083.53
China Shipbuilding Trading Co., Ltd.	Electric appliance, metallic materials and marine complement	4,944,051.39	3,050,812.41
China Shipbuilding Industry Corporation 726 Research Institute	Materials purchased	4,500,000.00	
Zhenjiang Modern Power Generation Equipment Co., Ltd.	Marine complements and equipment	3,883,000.89	4,482,356.00
Shaanxi Diesel Engine Co., Ltd.	Materials purchased	3,734,003.00	
Marine Design and Research Institute of China	Labour and technical services	3,431,886.76	29,765,204.05
Henan Diesel Engine Heavy Engineering Co., Ltd.	Materials purchased	3,037,820.07	
Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd. (Nanhai branch)	Materials purchased	2,834,511.57	
China Shipbuilding Industry Corporation 723 Research Institute	Materials purchased	2,700,000.00	
Wuhan Heavy Industry Casting & Forging Co., Ltd.	Materials purchased	2,441,432.87	
China Shipbuilding Technology Institute	Labour and technical services	1,886,792.45	
Guangzhou Shipyard Co., Ltd (Foshan Casting & Forging Plant Branch)	Materials purchased	1,800,103.23	
Guangzhou Shipyard Hospital	Purchase of goods and receipt of services	1,786,541.50	601,656.02
Haifeng Navigation Technology Co., Ltd.	Materials purchased	1,706,896.46	1,903,349.06
China Shipbuilding Industry Corporation 725 Research Institute	Materials purchased	1,605,675.81	
China Shipbuilding Industry Corporation 709 Research Institute	Materials purchased	1,470,000.00	
China Shipbuilding Industry Corporation 716 Research Institute	Materials purchased	1,060,000.00	
Jiangxi Chaoyang Machinery Co., Ltd.	Materials purchased and services	1,012,007.46	3,489,589.78
Dalian Shipbuilding Industry Engineering Company Limited	Design and technical services	972,169.81	
Dalian Shipbuilding Technology Research Center Co., Ltd.	Design and technical services	952,895.27	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	824,654.86	1,179,459.05
CSSC Southern China Ship Machinery Co., Ltd.	Materials	793,324.00	1,600,000.00

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Related party	Content of related party transaction	Current period	Corresponding period of last year
China Shipbuilding Industry Corporation 718 Research Institute	Materials purchased	780,000.00	
China Shipbuilding Scientific Research Center Shanghai Branch	Materials purchased	734,513.32	
China Shipbuilding Industry Corporation 717 Research Institute	Materials purchased	720,000.00	
Zhenjiang CSSC Waxilan Propeller Co., Ltd.	Materials purchased	706,896.55	
China Shipbuilding Industry Corporation 011 Research Institute	Materials purchased	645,849.06	
Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	Materials purchased	620,000.00	
Beijing Lei Yin Electronic Technology Development Co., Ltd.	Marine accessories	595,600.00	
Wah-Chang International Marine Industry Company Limited	Materials purchased	338,938.37	
Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	Materials purchased and labour services	330,088.49	
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Materials purchased and services	327,433.64	2,040,480.84
Wuhan Marine Machinery Co., Ltd.	Materials purchased	290,175.47	
CSSC Marine Services Co., Ltd.	Materials purchased	274,324.56	
Guangzhou Hongfan Technology Co., Ltd.	Materials purchased, fixed assets	224,521.00	
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	220,318.76	2,858,766.45
CSSC Guangxi Beibu Gulf Shipbuilding and Marine Engineering Design Co., Ltd. (CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.)	Technical services and labour	211,913.39	
China Shipbuilding IT Co., Ltd.	Labour and technical services	200,635.40	311,416.94
Yichang Marine Diesel Co., Ltd.	Materials purchased	118,631.86	
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Design and technical services	111,989.06	
Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Fixed assets and labour services	89,029.12	301,300.97
Beijing Rui Chi Fei Si Engineering Consulting Co., Ltd. (Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.)	Fixed assets	82,155.66	
Chongqing Hongjiang Machinery Co., Ltd. (重慶紅江機械有限責任公司)	Materials purchased	61,223.40	
Chongqing Hengshan Machinery Co., Ltd. (Chongqing Hengshan Machinery Co., Ltd)	Materials purchased	26,052.70	
Shanghai Hudong Shipyard Valve Co., Ltd.	Materials purchased	48,375.93	
Workers' Hospital of Guangzhou Huangpu Shipyard	Materials purchased, Labour and technical services	47,216.00	12,593.51
Guangdong Guangzhou Ship International Elevator Mechanical and Electrical Equipment Co., Ltd.	Technical services and labour	46,698.11	
Dalian Shipyard Tool Industry Co., Ltd. (Dalian Shipping Factory Tools Industry Company)	Materials purchased	19,322.12	
Dalian Ship Valve Company Limited	Materials purchased	9,588.50	
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Materials purchased	6,592.92	1,318,797.41
CSIC (Shenyang) Antimicrobial Technology Co., Ltd. (中船重工(瀋陽)抗微生物科技有限公司)	Design and technical services	4,000.00	
CSIC material trade group Guangzhou Co., Ltd. Liquor Branch	Design and technical services	3,328.00	
Shanghai Jiangnan Career Skills Training Center	Labour and technical services	3,281.74	21,747.58

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Related party	Content of related party transaction	Current period	Corresponding period of last year
Guangzhou Hongfan Hotel Co., Ltd.	Design and technical services	2,728.00	
Beijing Ship Industry Management College	Labour services		22,264.15
Ships and Ocean Engineering Design and Research Institute of Guangzhou Technician Training School of Guangzhou Wenchong Shipyard	Labour services		3,773.58
Haiying Enterprises Group Co., Ltd.	Marine accessories		17,198,995.65
Eastern Shanghai Heavy Machinery Co., Ltd. (Shanghai Accessory Branch)	Marine complements and equipment		9,888.00
Jiujiang CSSC Fire Automation Co., Ltd.	Marine accessories		3,270,217.24
TTS Hua Hai International Trading Co., Ltd.	Materials purchased		4,684,726.40
Shanghai Simifu Industrial Co., Ltd.	Materials purchased		94,827.59
Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Marine complements and equipment		25,000.00
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Materials purchased		3,106,666.85
CSSC Chengxi Shipbuilding Co., Ltd.	Labour services		1,637,931.03
CSSC Electronic Technology Co., Ltd.	Materials purchased		220,000.00
China Shipbuilding Industry Complete Logistics Co., Ltd.	Marine complements and equipment		41,880.17
China Shipbuilding International Trading Co., Ltd.	Labour and technical services		718,960.20
CSSC Hua Hai Ships Equipment Co., Ltd.	Materials purchased		16,982.76
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Materials		370,430.97
China Shipbuilding Industry Institute of Engineering Investigation & Design Co., Ltd.	Marine complements and equipment		3,690,478.40
CSSC Xijiang Shipbuilding Co., Ltd.	Labour and engineering services and engineering		12,996,013.85
China Ship Power Station Equipment Co., Ltd.	Marine complements and equipment		409,000.00
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Materials purchased		1,868,220.12
Total		2,548,282,207.18	2,865,020,496.23

Note: Specific pricing method of Purchase of goods and receipt of services:

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

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(2) Sale of goods/provision of services

Related party	Content of related party transaction	Current period	Corresponding period of last year
CSSC (Hong Kong) Shipping Company Limited	Shipbuilding	478,982,118.29	364,671,822.32
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	48,820,357.21	42,534,427.95
China Shipbuilding Trading Co., Ltd.	Sale of materials	10,063,546.13	
CSSC Science & Technology	Sale of materials, labour and technical services	1,760,229.26	0.00
Guangzhou Shipyard International Company Limited	Sale of materials	1,395,597.45	
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Design and manufacturing of rudder system	1,369,827.58	
China Shipbuilding NDRI Engineering Co., Ltd.	Sale of hydraulic trailers	856,858.41	
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Labour and technical services	242,991.86	1,732,798.66
Guangzhou Wencheng Shipbuilding Co., Ltd.	Sale of materials	197,453.54	
Guangzhou Shipyard Co., Ltd.	Sale of materials, supply of utilities, labour and technical services	159,662.77	347,600.37
CSSC Heavy Equipment Co., Ltd.	Sale of materials, labour and technical services	158,848.47	155,631.61
Dalian Shipbuilding Industry Engineering Company Shipbuilding Plant	Sale of materials	125,510.61	
Workers' Hospital of Guangzhou Huangpu Shipyard	Supply of utilities	92,997.23	86,091.54
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	Supply of utilities	47,832.06	
Kindergarten of Guangzhou Huangpu Shipyard	Supply of utilities	35,402.47	39,002.79
TTS Bohai Trading (DaLian) Co., Ltd.	Sale of materials	31,500.00	
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Labour and technical services, supply of utilities	5,660.38	117,873.11
Guangzhou Diesel Engine Plant Co., Ltd. Zhongshan Branch (廣州柴油機廠股份有限公司中山市分公司)	Labour and technical services	4,198.12	
CSSC Guijiang Shipbuilding Co., Ltd.	Sale of materials, labour and technical services	3,915.09	119,441.44
CSSC Guangxi Beibu Gulf Shipbuilding and Marine Engineering Design Co., Ltd. (CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.)	Sale of materials	1,569.35	
Jiangxi Chaoyang Machinery Co., Ltd.	Sale of materials	645.00	
China Shipbuilding IT Co., Ltd.	Sale of materials		374,050.76
Guangzhou Ship Industrial Co., Ltd.	Sale of materials		115,819.81
Guangzhou GSI Nursing Home Co., Ltd.	Sale of materials		619.47
Technician Training School of Guangzhou Huangpu Shipyard	Supply of utilities		122,535.28
Technician Training School of Guangzhou Shipyard	Supply of utilities		7,764.13
Guangzhou Shipyard Hospital	Labour services		10,188.68
Shanghai Merchant Vessel Design and Research Institute	Provision of labour and technical services		150,000.00
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Sale of materials		-469.00
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sale of materials, provision of services		114,435.81
CSSC Southern China Ship Machinery Co., Ltd.	Labour and technical services		46,422.32

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From 1 January 2020 to 30 June 2020

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

Related party	Content of related party transaction	Current period	Corresponding period of last year
CSSC Systems Engineering Research Institute	Labour and technical services		1,642,322.71
China Shipbuilding Technology Institute	Labour and technical services		296,376.69
Marine Design and Research Institute of China	Labour and technical services		14,168.47
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	Labour services		7,950.00
China Shipbuilding Trading Guangzhou Co., Ltd.	Sale of materials		18,339.62
Haiying Enterprises Group Co., Ltd.	Labour and technical services		33,962.26
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Labour and technical services		38,792.10
CSSC Marine Technology Co., Ltd.	Lease services		60,000.00
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Supply of utilities		11,396.05
China State Shipbuilding Corporation Limited	Labour services		2,433.96
Total		544,356,721.28	412,871,798.91

2. Receipt of financial services

(1) Deposits

Name of related party	Balance of deposits		Balance of deposits	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	2,327,392,429.05	7,594,327,867.71	28,667,971.00	33,279,463.84

Note: 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	
	New loans in the period	Ending balance	Beginning balance	Current period
CSSC Finance Company Limited		10,000,000.00	1,399,900,000.00	5,515,807.01
				101,236,930.78

Note: 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.

(3) Forward exchange settlement (purchase)

Name of related party	Forward exchange settlement (purchase) contract		Gain or loss on change in fair value of forward exchange settlement (purchase) contract		Investment income from forward exchange settlement (purchase)	
	Ending balance	Beginning balance	Current period (RMB)	Last year (RMB)	Current period (RMB)	Last year (RMB)
CSSC Finance Company Limited	US\$134 million	US\$ 408 million EUR\$ 93 million	-30,624,591.00	-27,657,519.39	-11,105,630.33	15,386,725.04

NOTES TO THE FINANCIAL STATEMENTS

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

(4) *Entrusted wealth management products*

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current period	Last year
CSSC Financial Co.	720,000,000.00		2,293,150.68	13,745,972.01

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

3. Related leases

(1) *As lessor*

Name of lessor	Name of lessee	Type of leased assets	Rental income recognised for the period	Rental income recognised for last period
CSSC	Zhongshan GSI Marine Engineering Company Limited	Buildings and structures	3,491,200.00	80,166.73
GSI	Yinghui South Marine Tower (Guangzhou Fanyu) Co., Ltd.	Ships	114,159.29	2,648,443.62
GSI	Guangzhou Shipyard Co., Ltd	Buildings and structures	73,079.22	602,299.80
GSI	CSSC Xijiang Shipbuilding Co., Ltd.	Land, buildings and structures	6,510.95	286,175.85
GSI	Eastern Shanghai Heavy Machinery Co., Ltd.	Buildings and structures	2,590.08	8,644,946.72
Total			3,687,539.54	12,262,032.72

(2) *As lessee*

Name of lessor	Name of lessee	Type of leased assets	Rental fees recognised for the period	Rental fees recognised for last period
Guangzhou Wenchong Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	7,291,150.32	8,644,946.72
Guangzhou Ship Industrial Co., Ltd.	Huangpu Wenchong	Land, buildings and structures	3,220,115.82	2,648,443.62
Guangzhou Ship Industrial Co., Ltd.	Huangpu Wenchong	Buildings and structures	860,670.88	
Guangzhou Ship Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	619,940.82	602,299.80
Marine Tower of China National Shipbuilding Equipment & Materials (South China) Co., Ltd	CSSC	Buildings and structures	475,428.56	
Guangzhou Shipyard Co., Ltd	GSI	Buildings and structures		286,175.85
Guangzhou Shipyard Co., Ltd	GSI Elevator	Land, buildings and structures	43,962.03	80,166.73
Total			12,511,268.43	12,262,032.72

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From 1 January 2020 to 30 June 2020

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

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.
- Guangzhou Shipyard International Company Limited and CSSC Huangpu Wenchong Shipbuilding Company Limited entered into the CSSC Longxue Base Worker Dormitory (Stage I of Phase I) Land and Property Leasing Framework Agreement. As agreed under the agreement, the two worker dormitories to be occupied by CSSC Huangpu Wenchong Shipbuilding Company Limited shall be built by Guangzhou Shipyard International Company Limited and funded by CSSC Huangpu Wenchong Shipbuilding Company Limited. The actual construction fee for the dormitories shall be subject to the final settlement of the dormitory construction as confirmed by both parties. The contingency provision, progress payment, land rent and tax made by CSSC Huangpu Wenchong Shipbuilding Company Limited shall be deemed as prepaid rent for using the worker dormitories (without interest and extra payment), which shall offset the rent monthly after delivery for use. The lease period shall commence from 30 September 2015 to 30 September 2035.

4. Related guarantees

(1) Guarantees provided by related parties for the Group

Name of related party	New guarantee amount for the year	Ending balance	Guarantee fee for the year
China Shipbuilding International Trading Co., Ltd.	10,919,100.00	404,740,305.00	–

Name of guarantor	Name of guarantee	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	1,279,600.00	2020/2/19	2020/11/25	No
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	3,539,750.00	2020/1/15	2021/9/30	No
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	2,560,000.00	2020/4/8	2020/7/29	Yes
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	3,539,750.00	2020/4/27	2021/12/31	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	21,026,115.00	2018/4/2	2021/8/14	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	67,538,430.00	2017/12/12	2020/11/25	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	67,538,430.00	2017/12/12	2020/9/25	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	67,538,430.00	2017/12/12	2020/7/26	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	67,538,430.00	2017/12/12	2020/5/26	Yes
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	86,369,900.00	2019/10/14	2022/4/11	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	86,369,900.00	2019/10/14	2022/5/28	No

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From 1 January 2020 to 30 June 2020

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

(2) Guarantees provided within the scope of consolidation of the Group

Name of guarantor	Name of guarantee	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
Huangpu Wenchong	Wenchuan Industrial	20,000,000.00	2019/6/21	2020/6/20	Yes
Huangpu Wenchong	Wenchuan Industrial	100,000,000.00	2020/1/8	2020/4/3	Yes
Huangpu Wenchong	Wenchuan Industrial	11,659,257.50	2020/5/12	2020/8/30	No
Huangpu Wenchong	Wenchuan Industrial	23,318,535.00	2020/5/12	2021/7/30	No
Huangpu Wenchong	Wenchuan Industrial	2,593,890.00	2020/5/19	2020/8/30	No
Huangpu Wenchong	Wenchuan Industrial	3,285,046.00	2020/5/19	2020/12/31	No
Huangpu Wenchong	Wenchuan Industrial	9,366,234.00	2020/5/19	2020/8/30	No
Huangpu Wenchong	Wenchong Shipyard	590,000,000.00	2019/9/1	2021/12/31	No
Huangpu Wenchong	Wenchong Shipyard	400,000,000.00	2020/1/2	2020/6/6	Yes
Huangpu Wenchong	Wenchong Shipyard	350,000,000.00	2020/3/23	2021/6/21	No
Huangpu Wenchong	Huangchuan Ocean Engineering	7,758,080.00	2020/4/2	2023/3/31	No
the Company	GSI	300,000,000.00	2019/8/23	2020/3/31	Yes
the Company	GSI	300,000,000.00	2019/9/20	2020/3/31	Yes
the Company	GSI	330,000,000.00	2019/10/29	2020/3/31	Yes
the Company	GSI	70,000,000.00	2019/12/4	2020/3/31	Yes
the Company	GSI	100,000,000.00	2019/12/13	2020/3/31	Yes
the Company	GSI	100,000,000.00	2019/12/13	2020/3/31	Yes
the Company	GSI	100,000,000.00	2019/12/13	2020/3/31	Yes
the Company	GSI	200,000,000.00	2020/1/2	2020/3/31	Yes

5. Transactions of equity interests

(1) Transfer of equity interests in GSI

In February 2020, the Company transferred 27.4214% equity interests in GSI to CSSC Holding at RMB 2,857,883,200.00 by the way of issuance of equivalent shares. An investment income of RMB3,389,643,311.70 was derived from the transaction. For details, please refer to note 7(2).

(2) Transfer of equity interests in Chengxi Yangzhou

The Company transferred its 24% and 25% equity interests in Chengxi Yangzhou to CSSC Holdings and CSSC Chengxi at RMB472.0809 million and RMB491.7509 million respectively. For details, please refer to note 6(9). As of the end of the reporting period, the Company has received advances of 51% equity transfer from each party.

6. Other related party transactions

Type of transaction	Name of related party	Current period	Last period
Sales agency fees	China Shipbuilding International Trading Co., Ltd	8,096,502.50	8,193,367.51
Sales agency fees	China Shipbuilding Trading Co., Ltd.	1,237,888.42	2,877,251.55
Sales agency fees	China Shipbuilding Trading Shanghai Co., Ltd.	139,776.00	
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited		5,705,507.72
Procurement agency fees	China United Shipbuilding Company Limited		3,881,490.67
commission	CSSC (Hong Kong) Shipping Company Limited	517,303.55	
Total		9,991,470.47	20,657,617.45

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

7. Related party transactions and connected transactions

The related party transactions mentioned in 1 to 6 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.

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

1. Purchase of goods and services received

Related party	Content of related party transactions	Current period	Corresponding period of last year
Zhongshan shipyard	Purchase of goods and receipt of services	932,659.08	2,285,848.40
Guangli	Purchase of goods and receipt of services		2,615,545.46
Large-scale Machinery	Purchase of goods and receipt of services		1,493,187.28
GSI	Purchase of goods and receipt of services		836,789.92
Longxue Pipe	Processing services		171,843.95
Hongfan Technology	Purchase of goods and receipt of services		64,435.63
Hongfan Hotel	Purchase of goods and receipt of services		25,988.38
Total		932,659.08	7,493,639.02

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	Current period	Corresponding period of last year
Elevator Co.	Sale of goods and provision of services	70,255,251.15	1,545,689.38
Huangpu Wenchong	Properties Leasing	7,362,000.00	
GSI	Sale of goods and provision of services	4,751,953.40	24,444,205.61
Zhongshan shipyard	Properties Leasing	1,745,600.00	
Zhongshan shipyard	Sale of goods and provision of services	495,876.11	9,659,052.00
Equipment	Sale of goods and provision of services		10,885,893.00
Total		84,610,680.66	46,534,839.99

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From 1 January 2020 to 30 June 2020

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

(iv) Balances with related parties

1. Consolidated

(1) Receivables 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	
Sub-total of notes receivable			23,604,885.28	
Interest receivable:				
CSSC Finance Company Limited			1,778,016.25	
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	
Accounts receivable:				
Guangdong GSI Elevator Machinery Equipment Co., Ltd.	57,381,093.84	286,905.46		
China Shipbuilding Trading Co., Ltd.	16,990,000.00	84,950.00	26,224,961.25	131,124.81
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	7,172,327.77	35,861.64	20,094,151.48	100,470.76
China Shipbuilding Industry Corporation 702 Research Institute	6,488,000.00	32,440.00		
Guangzhou Shipyard International Company Limited	4,808,404.92	24,021.35		
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	3,327,996.12	16,639.98	3,266,853.86	16,334.27
CSSC Science & Technology Co., Ltd.	2,049,059.06	10,245.30	141,500.00	707.5
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	1,916,761.52	9,583.81	1,926,345.33	9,631.73
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	1,000,000.00	5,000.00	1,005,000.00	5,025.00
Dalian Shipbuilding Industry Engineering Company Shipping Plant	72,651.71	363.26		
Kindergarten of Guangzhou Huangpu Shipyard	40,004.80	200.02	6,969.88	34.85
Wuhan Changhai Power Propulsion and Chemical Power Co., Ltd.	26,731.00	133.66		
Guangzhou Wencheng Shipbuilding Co., Ltd.	8,700.00	-		
CSSC Gujiang Shipbuilding Co., Ltd.	4,121.15	20.61	168,250.01	841.25
China Shipbuilding IT Co., Ltd.			113,200.00	566
Guangzhou Ship Industrial Co., Ltd.			166,503.77	832.52
Ships and Ocean Engineering Design and Research Institute of Guangzhou			832,517.00	4,162.59
Guangzhou GSI Nursing Home Co., Ltd.			17,680.54	88.4

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

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Guangzhou Shipyard Co., Ltd.			290,671.55	1,453.36
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.			1,065.00	5.33
Guangzhou Zhongdan Ship Design Co., Ltd.			5,935,443.92	29,677.22
Wah-Chang International Marine Industry Company Limited			6,976.20	34.88
Jiangnan Shipbuilding (Group) Co., Ltd.			47,500.00	237.5
Jiangxi Chaoyang Machinery Co., Ltd.			526.58	2.63
Shanghai CSSC Lingang ship Equipment Co., Ltd.			255,000.00	1,275.00
CSSC Chengxi Xinrong Shipbuilding Company Limited			9,800.00	49
China Shipbuilding NDRI Engineering Co., Ltd.			14,650.00	73.25
China Shipbuilding Industry Complete Logistics Co., Ltd.			3,998,499.67	19,992.50
CSSC Marine Technology Co., Ltd.			104,640.00	523.2
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.			1,025,235.20	5,126.18
China Shipbuilding Industry Institute of Engineering Investigation & Design Co., Ltd.			11,234.16	56.17
China Shipbuilding Trading Guangzhou Co., Ltd.			150,400.36	752
CSSC Liner Technology Development Co., Ltd.			440,135.11	2,200.68
CSSC Heavy Equipment Co., Ltd.			4,065,293.22	20,326.47
CSSC (Hong Kong) Shipping Company Limited			25,000.00	125
China State Shipbuilding Corporation Limited			139,695.00	698.48
China Shipbuilding Trading (Guangzhou) Co., Ltd.			783,106.00	3,915.53
CSSC Systems Engineering Research Institute			138,657.73	693.29
China Shipbuilding Technology Institute			494,460.00	2,472.30
Sub-total of accounts receivable	101,285,851.89	506,365.09	71,901,922.82	359,509.65
Contract assets:				
CSSC (Hong Kong) Shipping Company Limited	286,532,525.41			
Sub-total of contract assets	286,532,525.41			

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From 1 January 2020 to 30 June 2020

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

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Prepayments:				
China Shipbuilding Trading Shanghai Co., Ltd.	236,030,271.03		235,642,767.03	
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	224,670,004.88		1,233,243,876.18	
Eastern Shanghai Heavy Machinery Co., Ltd.	156,632,649.42		132,648,886.12	
China Shipbuilding Industry Corporation 715 Research Institute	68,843,000.00			
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	47,852,775.86		26,490,000.00	
China Shipbuilding Trading Co., Ltd.	40,190,372.81		29,688,108.68	
China Marine Power Co., Ltd.	3,203,200.00		11,986,837.00	
Anqing CSSC Diesel Engine Co., Ltd.	10,257,469.24		28,409,800.00	
China Shipbuilding Industry Corporation 719 Research Institute	8,560,000.00			
China Shipbuilding Industry Group Diesel Engine Co., Ltd.	6,526,000.00			
Chongqing Gearbox Co., Ltd.	6,330,000.00			
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	3,589,585.24		13,735,434.00	
The 11th Research Institute of CSSC	2,617,717.24		3,150,000.00	
China Shipbuilding Equipment & Materials Northeast Corporation	2,463,181.59			
Marinequip China Company Limited	2,296,989.26		2,466,630.23	
Guangzhou Shipyard International Company Limited	2,245,169.58			
CSSC Jiujiang Boiler Co., Ltd.	1,958,267.00		2,630,172.00	
CSIC material trade group Guangzhou Co., Ltd.	1,900,786.11		6,104,651.66	
China Ship Scientific Research Center Shanghai Branch	415,000.00			
China Shipbuilding Trading (BV) Co., Ltd.	332,920.58			
China Shipbuilding Industry Corporation 711 Research Institute	184,046.25			
Jiangxi CSSC Navigation Instrument Co., Ltd.	15,860.00		16,860.00	
CSIC Hengyuan Technology Co., Ltd.	5,670.00			
China Shipbuilding Industry Corporation 704 Research Institute			93,423,600.00	
CSSC Marine Power Institute Co., Ltd.	10,030,000.00		5,150,000.00	
CSSC Systems Engineering Research Institute			8,560,000.00	
China Shipbuilding Industry Corporation 712 Research Institute			90,915,000.00	
Zhenjiang China Marine-Xiandai Generating Co., Ltd.			561,100.00	
Jiujiang Haitian Equipment Manufacture Co., Ltd.			3,847,456.00	
China Shipbuilding NDRI Engineering Co., Ltd.			8,077,874.18	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.			6,350.00	

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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 Complete Logistics Co., Ltd.			54,386.25	
TTS Bohai Machinery (Dalian) Co., Ltd.			11,752,146.60	
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.			41,419,963.66	
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.			2,900.00	
China United Shipbuilding Company Limited			41,090,848.84	
TTS Hua Hai International Trading Co., Ltd.			4,130,388.60	
Shanghai Haixun Electrical Engineering Co., Ltd.			5,644,800.00	
Shanghai Simifu Industrial Co., Ltd.			183,892.20	
Shanghai CSSC Lingang ship Equipment Co., Ltd.			279,000.00	
CSSC (Hong Kong) Shipping Company Limited			308,175.65	
Marine Design and Research Institute of China			7,584,000.00	
China Shipbuilding Industry Corporation 718 Research Institute			7,629,300.00	
Sub-total of prepayments	837,150,936.09		2,056,835,204.88	
Other receivables:				
Guangzhou Shipyard International Company Limited	7,386,010.58	36,930.05		
China Shipbuilding Trading Co., Ltd.	1,088,621.08	5,443.11	1,094,064.19	5,470.32
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	248,748.00	1,243.74		
Guangzhou Ship Industrial Co., Ltd.	150,000.00	750.00	203,061.63	1,015.31
Beijing Ship Industry Management College	87,000.00	435.00		
CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	64,154.31	320.77		
CSSC Financial Leasing (Shanghai) Co., Ltd.	64,142.19	320.71		
Guangzhou Wenchong Industrial Co., Ltd.	431,116.09	2,155.58	689,517,083.63	3,447,585.42
CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	42,513.61	212.57		
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	30,399.99	152.00		
CSSC (Hong Kong) Shipping Company Limited	24,121.28	120.61	30,851.36	154.26
CSSC Chengxi Shipbuilding Co., Ltd.	10,133.33	50.67		
CSIC Electrical Machinery Science & Technology Co., Ltd. (Taiyuan)	10,000.00	50.00		
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	3,488.50	17.44		
Dalian Shipbuilding Technology Research Center Co., Ltd.	1,351.92	6.76		
Technician Training School of Guangzhou Huangpu Shipyard	744.11	3.72		

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Dalian Shipbuilding Industry Engineering Company Shipping Plant Branch (Originally Ship camp riveting factory branch)	422.15	2.11		
CSSC Guijiang Shipbuilding Co., Ltd.	353.75	1.77	353.75	1.77
Guangzhou Shipyard Co., Ltd.			33,087.66	165.44
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.			188,746.75	943.73
Guangzhou Zhongdan Ship Design Co., Ltd.			56,371.71	281.86
China United Shipbuilding Company Limited			309,359.13	1,546.80
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.			45,676.00	228.38
China Shipbuilding Trading Guangzhou Co., Ltd.			8,140.50	40.70
China Shipbuilding Industry Corporation 704 Research Institute			3,986,663.00	19,933.32
Sub-total of other receivables	9,643,320.89	48,216.61	695,473,459.31	3,477,367.31
Long-term receivables:				
CSSC (Hong Kong) Shipping Company Limited	20,813,730.00			
Guangzhou Shipyard Shipping Co., Ltd.			1,134,000,000.00	5,670,000.00
Sub-total long-term receivables	20,813,730.00		1,134,000,000.00	5,670,000.00
Other current assets:				
CSSC Finance Company Limited	720,000,000.00			
Sub-total of other current assets	720,000,000.00			
Other non-current assets:				
Guangzhou Shipyard International Company Limited	60,541,832.75			
Sub-total of other non-current assets	60,541,832.75			
Total	2,035,968,197.03	554,581.70	3,984,303,206.63	9,506,876.96

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(2) Payables to related parties

Related party	Ending balance	Beginning balance
Notes payable:		
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	513,240,447.79	950,924,204.89
Eastern Shanghai Heavy Machinery Co., Ltd.	76,452,821.24	115,972,948.62
CSSC Systems Engineering Research Institute	44,900,000.00	272,387,000.00
Anqing CSSC Diesel Engine Co., Ltd.	29,431,164.60	21,570,432.30
China Shipbuilding Industry Corporation 716 Research Institute	21,687,800.00	
China Shipbuilding Industry Corporation 726 Research Institute	20,079,600.00	
China Marine Power Co., Ltd.	14,342,327.00	24,085,587.00
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	3,407,421.69	1,369,637.93
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	3,192,032.62	37,853,034.35
China Shipbuilding Equipment & Materials Northeast Corporation	2,463,181.59	
CSIC material trade group Guangzhou Co., Ltd.	2,451,600.89	9,799,994.36
Guangzhou Longxue Pipe Co., Ltd.	2,387,429.45	
China Shipbuilding Industry Corporation 725 Research Institute	516,529.42	
Guangzhou Ship Industrial Co., Ltd.	246,076.87	
China Ship Scientific Research Center Shanghai Branch	415,000.00	
CSSC Jiujiang Boiler Co., Ltd.	24,000.00	
Haifeng Navigation Technology Co., Ltd.		1,761,046.42
Jiujiang Haitian Equipment Manufacture Co., Ltd.		6,860,895.99
Nanjing CSSC Oasis Environmental Protection Co., Ltd.		1,754,707.00
Shanghai Haixun Electrical Engineering Co., Ltd.		10,132,899.96
Shanghai Hengtuo Industrial Development Co., Ltd.		2,242,229.90
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.		5,350,256.13
Wuhan Marine Machinery Co., Ltd.		850,977.00
Wuhan Heavy Industry Casting & Forging Co., Ltd.		543,130.00
Yinghui South Marine Tower (Guangzhou Fanyu) Co., Ltd.		1,394,000.00
Zhenjiang China Marine-Xiandai Generating Co., Ltd.		308,996.00
China Shipbuilding NDRI Engineering Co., Ltd.		1,145,000.00
CSSC Marine Power Institute Co., Ltd.		1,150,000.00
China Shipbuilding International Trading Co., Ltd.		703,334.50
TTS Hua Hai Ships Equipment Co., Ltd.		15,000,000.00
CSSC Science & Technology Co., Ltd.		1,980,000.00
China Shipbuilding Industry Corporation 707 Research Institute		4,320,000.00
China Shipbuilding Industry Corporation 704 Research Institute		218,429,800.00
China Shipbuilding Industry Corporation 725 Research Institute		3,642,788.00
China Shipbuilding Industry Corporation 718 Research Institute		23,118,200.00
Sub-total of notes payable	735,237,433.16	1,734,651,100.35
Interest payable:		
China State Shipbuilding Corporation Limited		2,897,937.77
CSSC Finance Company Limited		446,108.00
Sub-total of interest payable		3,344,045.77

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

Accounts payable:	Ending balance	Beginning balance
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	654,273,377.78	948,706,497.32
CSSC Systems Engineering Research Institute	374,071,991.46	497,947,000.69
China Shipbuilding Industry Corporation 704 Research Institute	118,791,955.77	102,221,450.00
Guangzhou Wenchong Industrial Co., Ltd.	97,405,826.97	91,142,837.04
China Shipbuilding Industry Corporation 715 Research Institute	76,600,000.00	
China United Shipbuilding Company Limited	66,134,330.89	19,399,854.85
Wuhan Marine Machinery Co., Ltd.	60,273,061.21	10,765,500.00
China Shipbuilding Industry Corporation 711 Research Institute	42,646,519.68	739,280.00
Guangzhou Ship Industrial Co., Ltd.	39,068,768.26	28,514,957.80
China Shipbuilding Industry Corporation 713 Research Institute	38,193,000.00	7,267,260.00
Guangdong GSI Elevator Machinery Equipment Co., Ltd.	33,998,460.03	
Eastern Shanghai Heavy Machinery Co., Ltd.	31,854,603.83	34,790,000.00
China Shipbuilding Industry Corporation 709 Research Institute	29,776,530.00	
China Shipbuilding Industry Corporation 701 Research Institute	27,574,268.41	83,500.00
China Shipbuilding NDRI Engineering Co., Ltd.	26,822,879.01	91,816,141.10
China Shipbuilding Trading Co., Ltd.	22,109,154.61	36,011,213.08
China Shipbuilding Industry Corporation 726 Research Institute	19,167,999.98	448,000.00
China Shipbuilding Industry Corporation 707 Research Institute	19,016,565.00	8,290,130.00
China Shipbuilding Industry Corporation 705 Research Institute Kunming Branch	18,988,000.00	
Dalian Shipbuilding Industry Engineering Company Shipping Plant	18,974,210.99	2,406.22
Guangzhou Shipyard International Company Limited	18,796,433.28	
China Marine Power Co., Ltd.	16,268,495.00	36,429,656.20
Shanghai Haixun Electrical Engineering Co., Ltd.	16,036,635.23	41,088,855.46
CSSC Nanjing Luzhou Machine Co., Ltd.	15,860,274.08	14,183,929.30
Anqing CSSC Diesel Engine Co., Ltd.	14,691,930.76	11,905,130.76
China Shipbuilding Industry Corporation 717 Research Institute	14,076,000.00	
China Shipbuilding Industry Corporation 716 Research Institute	13,065,301.73	8,129,930.00
China Shipbuilding Industry Corporation 7 Research Institute	12,008,400.00	
China Shipbuilding Trading Guangzhou Co., Ltd.	11,033,165.84	11,496,701.01
Marinequip China Company Limited	10,660,610.04	1,939,362.28
China Shipbuilding Industry Corporation 724 Research Institute	10,352,600.00	
Chongqing Gearbox Co., Ltd.	9,670,000.00	4,249,626.47
Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	9,460,132.46	6,580,491.46
Beijing the Great Wall Electronic Equipment Co., Ltd.	9,358,600.00	
Shanghai Merchant Vessel Design and Research Institute	9,015,000.00	1,335,000.00
Wuhan Haiyi Science and Technology Limited Company	8,528,514.67	
China Shipbuilding Industry Corporation 723 Research Institute	8,377,000.00	4,600,000.00
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	6,780,931.65	6,053,568.37
Wuhan Langan Technology Co., Ltd.	6,272,750.05	
Haiying Enterprises Group Co., Ltd.	5,672,500.00	15,192,500.00
Marine Design and Research Institute of China	5,619,845.24	7,353,364.10
CSSC Southern China Ship Machinery Co., Ltd.	5,486,196.58	19,163,353.22
China Shipbuilding Trading (Guangzhou) Co., Ltd.	5,196,148.54	76,000.00
CSIC Zhongnan Equipment Co., Ltd.	4,511,900.00	990,000.00
China Shipbuilding Industry Corporation 725 Research Institute	4,509,894.94	5,045,816.08
Zhejiang China Marine-Xiandai Generating Co., Ltd.	4,432,422.30	2,627,427.09
Shaanxi Diesel Engine Co., Ltd.	3,812,360.00	2,196,000.00
Jiujiang Haitian Equipment Manufacture Co., Ltd.	3,710,121.75	15,672,848.04
China Shipbuilding Industry Corporation 703 Research Institute	3,262,750.00	
Wuhan Temo Welding Consumables Co., Ltd.	3,212,200.00	27,216.00
CSSC Luzhou Zhejiang Marine Auxiliary Machinery Co., Ltd.	3,149,624.50	4,746,422.28
Wuhan Heavy Industry Casting & Forging Co., Ltd.	2,777,106.41	3,307,197.00
China Shipbuilding International Trading Co., Ltd.	2,686,175.00	2,766,332.00
China Shipbuilding Industry Corporation 718 Research Institute	2,360,700.00	34,902,000.00
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	2,350,872.69	8,096,802.01
Guangzhou Longxue Pipe Co., Ltd.	2,207,703.39	
Shanghai Hudong Shipyard Valve Co., Ltd.	2,008,847.63	1,964,939.88
China Shipbuilding Industry Corporation 712 Research Institute	1,996,000.00	48,845,000.00
China Shipbuilding Industry Corporation 710 Research Institute	1,934,000.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

Related party	Ending balance	Beginning balance
Haifeng Navigation Technology Co., Ltd.	1,928,793.00	220,788.49
China Shipbuilding Industry Complete Logistics Co., Ltd.	1,897,832.26	1,897,832.26
CSSC Science & Technology Co., Ltd.	1,866,820.54	2,366,820.54
China Ship Power Station Equipment Co., Ltd.	1,850,600.00	1,992,600.00
Guangzhou Hongfan Technology Co., Ltd.	1,826,481.38	
Henan Diesel Engine Heavy Engineering Co., Ltd.	1,754,485.14	463,500.00
Wartsila CME Zhenjiang Propeller Co., Ltd.	1,514,151.19	
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	1,478,379.15	4,737,419.58
China Shipbuilding Industry Corporation 722 Research Institute	1,306,565.00	6,349,500.00
Guangzhou Guangchuan Offshore Engineering Equipment Co., Ltd.	1,244,684.97	
Guangzhou Shipyard Co., Ltd.	1,240,056.64	4,884,805.80
China Shipbuilding IT Co., Ltd.	1,050,525.05	1,765,904.00
China Shipbuilding Industry Corporation 702 Research Institute	1,021,000.00	3,335.00
Yichang Marine Diesel Co., Ltd.	978,506.91	
Kunming Shipping New High Technology Development Company	899,000.00	
CSSC Jiujiang Boiler Co., Ltd.	876,724.00	
CSSC Electronic Technology Co., Ltd.	874,629.18	1,054,629.18
Zhongshan GSI Marine Engineering	871,354.50	
CSIC Electrical Machinery Science&Technology Co., Ltd.	850,000.00	
China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	747,658.00	23,480.00
Shanghai Hunter Marine Equipment Co., Ltd.	730,616.97	
CSIC Haisheng Technology Co., Ltd.	667,750.00	15,000.00
Jiangxi Chaoyang Machinery Co., Ltd.	658,750.26	854,419.87
Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	651,000.00	316,000.00
Guangzhou Wencheng Shipbuilding Co., Ltd.	632,734.70	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	574,775.33	1,025,421.50
CSSC Marine Technology Co., Ltd.	566,016.24	1,094,416.23
CSIC material trade group Guangzhou Co., Ltd.	550,814.78	
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	532,282.76	435,000.00
Shanghai CSSC Lingang ship Equipment Co., Ltd.	470,000.00	840,000.00
Chongqing Huayu Electrical Group Limited	393,250.00	260,000.00
Wuhan Huazhongtianqin Defense Technology Co., Ltd.	356,603.76	
Suzhou Jianghai Communication Co., Ltd.	354,420.00	67,800.00
Beijing Leiying Electronic Technology Development Co., Ltd.	330,000.00	925,600.00
CSSC Dalian Marine Propeller Co., Ltd.	326,671.71	
China Shipbuilding Equipment & Materials Northeast Corporation	311,766.14	
China Shipbuilding Trading (BV) Co., Ltd.	306,550.24	
China Shipbuilding Industry Institute of Engineering Investigation & Design Co., Ltd.	294,821.95	525,994.36
Shanghai Shenbo Information System Engineering Co., Ltd.	275,410.94	306,150.94
Shanghai Ling Yao Ship Engineering Co., Ltd.	268,793.90	
CSIC Chongqing Changping Machinery Co., Ltd.	253,440.00	13,380.00
CSSC Marine Services Co., Ltd.	235,170.00	
Shanxi Fenxi Heavy Industry Co., Ltd.	225,600.00	
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	209,879.90	34,262.00
Yangzhou Haikē Electronic Technology Co., Ltd.	192,500.00	
Xi'an Hualei Machinery and Electronics Group Co., Ltd.	177,940.06	
Dalian Ship Valve Company Limited	140,071.17	178,288.20
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	134,055.59	
Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	120,000.00	
Xiamen Sunrui Ship Coatings Co., Ltd.	101,486.72	
Wah-Chang International Marine Industry Company Limited	96,456.51	320,137.27
CSIC Materials Trading Group Co., Ltd.	91,000.00	
CSSC Finance Company Limited	83,000.00	83,000.00
Jiujiang Precision Testing Technology Research Institute	82,613.70	82,613.70
CSSC Dalian New Consumables Co., Ltd.	80,865.49	
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	79,497.79	86,174.39
Guangzhou Shipyard Co., Ltd. Foshan Zhuduan Branch	60,551.41	
Shanghai Huajing Power Station Equipment Co., Ltd.	55,222.64	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

Related party	Ending balance	Beginning balance
Guangzhou Hongfan Hotel Co., Ltd.	52,738.44	
Shanghai Zhenhua Engineering Consulting Co., Ltd.	38,880.00	2,226,694.79
Shanghai Dongxin Software Engineering Co., Ltd.	36,800.00	36,800.00
Wucang Shipbuilding Industry Group Co., Ltd.	33,000.00	
Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	27,558.00	183,520.00
Shanghai MicroPowers Ltd	27,482.80	
Shanghai Sanjin Technology Development Co., Ltd.	24,800.00	
Anqing Marine Electric Co., Ltd.	18,000.00	18,000.00
China Shipbuilding Industry Corporation 12 Research Institute	17,150.00	
Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
Shanghai Qiyao Heavy Industry Co., Ltd.	8,189.66	
Workers' Hospital of Guangzhou Huangpu Shipyard	7,926.69	465,940.29
Zibo Torch Energy Co., Ltd.	5,373.35	
TTS Bohai Trading (DaLian) Co., Ltd.	3,749.30	
Shanghai Jiangnan Career Skills Training Center	2,700.00	
Eastern Shanghai Heavy Machinery Co., Ltd. Shanghai Accessories Branch	1,500.00	
Shanghai Hengtuo Industrial Development Co., Ltd.	1,282.05	280,581.10
Jiangxi CSSC Navigation Instrument Co., Ltd.	1,000.00	9,550.00
International Paints of Shanghai Co. Ltd.		39,486.35
Jiujiang CSSC Fire Automation Co., Ltd.		1,524,443.30
Beijing Ship Industry Management College		11,324.00
Technician Training School of Guangzhou Huangpu Shipyard		1,015,740.00
Kindergarten of Guangzhou Huangpu Shipyard		280,000.00
Dalian Shipbuilding Industry Marine Engineering Company Limited		680,787.00
Guangzhou Bohang Environment Monitoring Services Co., Ltd.		48,780.80
Ships and Ocean Engineering Design and Research Institute of Guangzhou		15,000.00
Guangzhou Shipyard HR Service Co., Ltd.		609,953.95
Guangzhou Shipyard Hospital		2,335,591.87
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.		18,475,785.09
Guangzhou Zhongdan Ship Design Co., Ltd.		1,236,686.10
Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.		4,860.00
Jiangyin Huaerxin Special Coating Co., Ltd.		73,920.00
TTS Hua Hai Ships Equipment Co., Ltd.		2,979.00
Shanghai CSSC Materials Engineering Co., Ltd.		77,940.00
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.		4,944,405.28
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.		32,746,149.52
Wuxi Haiying Jiake Marine Technology Co., Ltd.		239,900.00
Yinghui South Marine Tower (Guangzhou Fanyu) Co., Ltd.		355,920.92
TTS Hua Hai Ships Equipment Co., Ltd.		264,000.00
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.		237,034.19
China Ship Survey and Research Institute, Pudong Branch		8,325.50
CSSC Liner Technology Development Co., Ltd.		633,864.08
Shanghai Marine Energy Saving Technology Development Co., Ltd.		2,790,763.79
CSIC Tianhe Ship Equipment Jiangsu Co., Ltd.		454,000.00
CSSC (Hong Kong) Shipping Company Limited		10,046,258.19
China State Shipbuilding Corporation		9,141.20
The 11th Research Institute of CSSC		434,482.76
China State Shipbuilding Corporation Limited		269,373.10
China Shipbuilding Industry Corporation 719 Research Institute		11,203,500.00
Chongqing Yaojin Machinery Plant Co., Ltd.		27,800.00
Sub-total of accounts payable	2,145,020,678.88	2,326,665,325.97
Advances from customers:		
CSSC Chengxi Shipbuilding Co., Ltd.	250,792,959.00	
China CSSC Holdings Limited	240,761,259.00	
Sub-total of advances from customers	491,554,218.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

Related party	Ending balance	Beginning balance
Contract liabilities:		
China Shipbuilding Trading Shanghai Co., Ltd.	13,977,600.00	
Guangzhou Shipyard International Company Limited	13,353,390.09	
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	8,792,484.03	8,792,484.03
Zhongshan GSI Marine Engineering	2,618,400.00	
Marine Design and Research Institute of China	2,000,000.00	2,000,000.00
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	1,549,201.55	1,103,343.94
China Shipbuilding NDRI Engineering Co., Ltd.	856,858.41	
CSSC Marine Power Institute Co., Ltd.	400,000.00	
CSSC Nanjing Luzhou Machine Co., Ltd.	225,663.72	
China Shipbuilding Trading Co., Ltd.	160,050.30	4,085,529.80
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	98,400.00	
Guangzhou Shipyard Co., Ltd.		488,385.73
Wah-Chang International Marine Industry Company Limited		3,656,879.40
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.		10,000.00
CSSC Heavy Equipment Co., Ltd.		59,526.14
CSSC (Hong Kong) Shipping Company Limited		81,909,996.12
CSSC Systems Engineering Research Institute		445,283.00
Sub-total of contract liabilities	44,032,048.10	102,551,428.16
Other payables:		
Guangzhou Shipyard International Company Limited	11,735,553.73	
China Shipbuilding NDRI Engineering Co., Ltd.	2,751,134.15	10,860,990.83
Dalian Shipbuilding Industry Engineering Company Shipping Plant	703,200.00	1,701,000.00
China Shipbuilding IT Co., Ltd.	598,000.00	598,000.00
Guangzhou Hongfian Technology Co., Ltd.	287,062.40	
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	216,301.82	1,085,181.40
Shanghai CSSC Lingang ship Equipment Co., Ltd.	203,400.00	206,167.81
Jiangxi Chaoyang Machinery Co., Ltd.	200,000.00	500,000.00
China State Shipbuilding Corporation Limited	64,758.24	59,571.42
Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	4,000.00	
Guangzhou Huamao Center	2,000.00	
Wuhan Marine Machinery Co., Ltd.	350.00	
Guangzhou Shipyard HR Service Co., Ltd.		212,924.58
Guangzhou Shipyard Co., Ltd.		2,492,556.36
China United Shipbuilding Company Limited		473,319.81
Shanghai Jiuyuan Engineering Contracting Co., Ltd.		300,000.00
Shanghai Shenbo Information System Engineering Co., Ltd.		50,000.00
CSSC Financial Leasing (Shanghai) Co., Ltd.		591,866.02
China Shipbuilding Trading Co., Ltd.		45,731.57
Sub-total of other payables	16,765,760.34	19,177,309.80
Lease liabilities:		
Guangzhou Ship Industrial Co., Ltd.	43,401,809.99	46,548,312.88
Guangzhou Wenchong Industrial Co., Ltd.	34,702,325.18	54,603,543.44
Guangzhou Shipyard International Company Limited	30,081,530.82	
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	599,144.66	
Sub-total of lease liabilities	108,784,810.65	101,151,856.32

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

Related party	Ending balance	Beginning balance
Other current liabilities:		
Eastern Shanghai Heavy Machinery Co., Ltd.	2,000,000.00	
Guangzhou Longxue Pipe Co., Ltd.	1,291,464.49	
Sub-total of other current liabilities	3,291,464.49	
Non-current liabilities due within one year:		
Guangzhou Wenchong Industrial Co., Ltd.	13,322,644.18	14,275,610.79
CSSC Finance Company Limited	10,006,597.22	
Guangzhou Ship Industrial Co., Ltd.	6,261,702.39	6,230,398.99
Guangzhou Shipyard International Company Limited	1,627,245.97	
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	953,276.09	
Sub-total of non-current liabilities due within one year	32,171,465.85	20,506,009.78
Total	3,576,857,879.47	4,308,047,076.15

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	
	GSI			21,811,943.74	
	United Steel				
	Sub-total of accounts receivable			26,324,632.71	
Prepayments:					
	Equipment Company			700,000.00	
	GSI			2,831,781.00	
	Sub-total of prepayments			3,531,781.00	
Other receivables:					
	GSI			7,683,353.50	
	Huangpu Wenchong			633,611.11	
	Wenchong Shipyard				
	Sub-total of other receivables			8,316,964.61	
Non-current assets due within one year:					
	Huangpu Wenchong	50,055,555.56		30,000,000.00	
	GSI			240,000,000.00	
	Sub-total of non-current assets due within one year	50,055,555.56		270,000,000.00	

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From 1 January 2020 to 30 June 2020

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

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other current assets:					
	GSI			230,000,000.00	
	Huangpu Wenchong			40,000,000.00	
	Sub-total of other current assets			270,000,000.00	
Other non-current assets:					
	Huangpu Wenchong	785,544,722.22		235,000,000.00	
	GSI			185,000,000.00	
	Total other non-current assets	785,544,722.22		420,000,000.00	
Long-term receivables:					
	Huangpu Wenchong			600,000,000.00	
	Sub-total of long-term receivables			600,000,000.00	
	Total	835,600,277.78		1,598,173,378.32	

(2) Payables to related parties

Name of item	Related party	Ending balance	Beginning balance
Accounts payable:			
	Huangpu Wenchong	128,518,926.14	128,518,926.14
	Zhongshan GSI		7,160,606.13
	Equipment Company		6,159,637.46
	GSI		4,700,772.72
	United Steel		1,785,147.22
	Guangli		13,944.30
	Longxue Pipe		
	Sub-total of accounts payable	128,518,926.14	148,339,033.97
Other payables:			
	GSI		65,687,789.94
	Guangli		3,854,654.24
	Zhongshan GSI		336,455.25
	Hongfan Hotel		8,159.88
	Sub-total of other payables		69,887,059.31
Contract liabilities:			
	Huangpu Wenchong	2,454,000.00	2,454,000.00
	GSI		34,524,400.00
	Zhongshan GSI		7,855,200.00
	Elevator Co.		865,486.73
	Sub-total of Contract liabilities	2,454,000.00	45,699,086.73
	Total	130,972,926.14	263,925,180.01

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(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
Current period					
Executive Directors					
Han Guangde					
Chen Zhongqian		96,600.00	10,134.47	2,661.96	109,396.43
Chen Liping		238,098.00	28,726.69	2,661.96	269,486.65
Sheng Jigang		172,602.00	28,953.79	2,661.96	204,217.75
Xiang Huiming		172,602.00	31,339.60	2,661.96	206,603.56
Chen Ji		96,600.00	10,141.38	2,661.96	109,403.34
Non-executive Directors					
Shi Jun					
Wang Yichu	100,000.00				100,000.00
Min Weiguo	100,000.00				100,000.00
Liu Renhuai	100,000.00				100,000.00
Yu Shiyong	100,000.00				100,000.00
Sub-total of Directors	400,000.00	776,502.00	109,295.93	13,309.80	1,299,107.73
Supervisors					
Jin Xuejian					
Fu Xiaosi	45,000.00				45,000.00
Chen Shu	45,000.00				45,000.00
Mai Rongzhi		77,940.00	10,126.88	2,661.96	90,728.84
Zhang Shan		158,980.57	31,208.12	2,661.96	192,850.65
Sub-total of Supervisors	90,000.00	236,920.57	41,335.00	5,323.92	373,579.49
Total	490,000.00	1,013,422.57	150,630.93	18,633.72	1,672,687.22

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

Corresponding period of last year

Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Corresponding period of last year					
Executive Directors					
Han Guangde					
Chen Zhongqian		207,000.00	30,105.17	16,059.12	253,164.29
Chen Liping		258,798.00	30,484.62	16,059.12	305,341.74
Sheng Jigang		161,502.00	28,223.22	16,059.12	205,784.34
Xiang Huiming		181,602.00	29,807.22	16,059.12	227,468.34
Chen Ji		207,000.00	30,105.17	16,059.12	253,164.29
Non-executive Directors					
Shi Jun					
Wang Yichu	100,000.00				100,000.00
Min Weiguo	100,000.00				100,000.00
Liu Renhuai	100,000.00				100,000.00
Yu Shiyou	100,000.00				100,000.00
Sub-total of Directors	400,000.00	1,015,902.00	148,725.40	80,295.60	1,644,923.00
Supervisors					
Wu Guangjun					
Fu Xiaosi	45,000.00				45,000.00
Zhu Zhengfu (2019.1.1-2019.4.24)	35,951.00				35,951.00
Chen Shu (2019.5.28-)	8,070.65				8,070.65
Mai Rongzhi		165,900.00	30,105.17	16,059.12	212,064.29
Zhang Shan		134,976.09	29,807.22	16,059.12	180,842.43
Sub-total of Supervisors	89,021.65	300,876.09	59,912.39	32,118.24	481,928.37
Total	489,021.65	1,316,778.09	208,637.79	112,413.84	2,126,851.37

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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2. Five highest paid individuals

Of the five highest paid individuals for the year, 1 is Director, 4 are senior management of the Company and subsidiaries (corresponding period of last year: 5 Directors,). The remuneration of Directors and Supervisors are set out in Note XI. (I).5 "Remunerations of Directors and Supervisors". The remuneration paid to the other 3 individuals is as follows:

Item	Current period	Corresponding period of last year
Salaries, subsidies, allowances and bonuses	823,116.00	
Social insurance and housing fund	120,105.36	
Pension	10,647.84	
Total	953,869.20	

Band of remuneration:

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

3. During the track record period, no Director 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	Current period	Corresponding period of last year
Salaries, subsidies, allowances and bonuses	1,920,122.57	2,192,205.74
Social insurance and housing fund	208,084.31	269,607.03
Pension	23,957.64	144,532.08
Total	2,152,164.52	2,606,344.85

(vi) Amount due from Directors/affiliates of Directors

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

As at the end of the period, the Group had no amount due from Directors/affiliates of Directors.

2. Amount due from directors/affiliates of directors for which the Company has provided guarantee:

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

XII. SHARE-BASED PAYMENTS

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

XIII. CONTINGENCIES

(I) Pending litigations or arbitrations

As at the end of the period, the Group did not have discloseable pending litigations or arbitrations.

(II) External guarantees

The Group's external guarantees as at the end of the period are detailed in Note 11 (2) 4 Related Guarantees.

(III) Undue guarantees and letter of credit

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

Type of letters of guarantee	RMB	USD	GBP
Letters of performance guarantee	336,666,652.24		
Letters of advancement payment guarantee	215,301,998.37	87,886,000.00	
Letters of warranty guarantee	62,702,868.48	2,518,568.35	
Letters of customs duties guarantee	12,187,216.00		
Letter of counter guarantee			
Non-financing guarantee	3,642,500.00		201,000.00
Total	630,501,235.09	90,404,568.35	201,000.00

As at the end of the period, the Group's issued but undue letters of credit amounted to US\$15,203,039.29, and EUR8,838,224.48.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

XIV. COMMITMENTS

(I) Operating leases – as the lessor

According to the lease contracts entered into with the lessee, the minimum lease payment amount for an irrevocable lease is as follows:

Item	Amount
Within one year (including one year)	56,241,456.57
Over 1 year but within 2 years (including 2 years)	50,070,188.52
Over 2 years but within 3 years (including 3 years)	24,750,002.80
Over 3 years	10,296,424.80
Total	141,358,072.69

2. Outstanding foreign exchange option transactions

The Group attaches great importance to the study of exchange rate risk management policies and strategies, and in order to prevent exchange rate risks, it entered into forward foreign exchange contracts (forward settlement and sale of foreign exchange), foreign exchange swaps, and foreign exchange option trading portfolio contracts with banks. At the end of the period, there were a total of 85 undelivered forward settlements with an amount of US\$461.30 million, which the longest delivery period is up to 24 March 2023 and a fair value change gain and loss of RMB-54.183 million was recognized at the end of the period. There were 43 undelivered option portfolios with an amount of US\$180.00 million, which the longest delivery period is up to 20 April 2020 and a fair value change gain and loss of RMB-50.8803 million was recognized at the end of the period.

Saved for the aforementioned commitments, the Group had no other major commitments as at the end of the period.

XV. EVENTS AFTER BALANCE SHEET DATE

As at the date of this report, the Group has no significant events after the reporting period that need to be elaborated.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(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 period

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

Current period

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance and modification business segment	Others segment	Inter-segment elimination and adjustment	Total
Operating income	4,557,185,227.57	789,525,505.97	730,715,372.75	363,549,338.85	-2,147,794,261.58	4,293,181,183.56
Including: Revenue from external transactions	3,244,362,207.54	571,358,588.23	350,467,410.76	126,992,977.03	-	4,293,181,183.56
Revenue from intra-segment transactions	1,312,823,020.03	218,166,917.74	380,247,961.99	236,556,361.82	-2,147,794,261.58	-
Operating costs	4,429,678,021.86	746,094,658.99	686,121,489.04	347,511,461.28	-2,148,162,101.65	4,061,243,529.52
Costs for the period	334,713,710.98	52,264,937.53	45,203,471.60	16,895,942.87	10,080,137.92	459,158,200.90
Total segment profit	-363,199,831.82	-32,938,305.12	-10,690,106.42	1,241,750,735.53	2,125,082,082.79	2,960,004,574.96
Total assets	24,365,546,055.01	4,621,997,118.89	1,684,195,558.13	13,393,700,078.73	-6,826,613,037.45	37,238,825,773.31
Total liabilities	17,677,225,734.41	3,353,263,096.59	1,221,885,403.05	1,956,987,314.15	-3,704,134,920.75	20,505,226,627.45
Supplementary information:						
Capital expenses	1,579,724,746.34	250,715,508.29	95,092,520.62	96,936,847.50	-196,860,891.19	1,825,608,731.56
Impairment loss recognised during current period	149,046,401.45	7,972,438.34	3,106,628.84	3,820,267.05	100,000.00	164,045,735.68
Depreciation and amortisation expenses	178,731,106.73	23,240,066.64	21,547,449.07	20,067,617.78	-4,397,047.91	239,189,192.31

Corresponding period of last year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance and modification business segment	Others segment	Inter-segment elimination and adjustment	Total
Operating income	8,163,215,956.79	438,843,173.74	261,878,559.73	742,751,349.95	-1,810,603,720.53	7,816,085,319.68
Including: Revenue from external transactions	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46	-	7,816,085,319.68
Revenue from intra-segment transactions	1,194,470,303.42	118,829,504.62	2,823,694.00	494,480,218.49	-1,810,603,720.53	-
Operating costs	8,143,237,454.33	413,911,766.76	243,599,568.60	719,951,004.87	-1,893,838,993.75	7,626,860,800.81
Costs for the period	527,118,126.73	42,485,743.23	97,203,992.58	30,341,273.90	-1,840,323.86	695,308,812.58
Total segment profit	762,844,365.46	-15,955,374.31	-57,906,889.17	10,337,143.29	4,290,610.52	703,609,856.79
Total assets	47,611,012,116.40	1,388,714,530.54	2,417,802,622.36	12,653,779,245.18	-16,514,772,789.35	47,556,535,725.13
Total liabilities	32,354,058,427.77	1,112,569,618.23	2,471,657,616.79	2,948,791,231.06	-6,473,957,967.23	32,413,118,926.62
Supplementary information:						
Capital expenses	1,284,222,110.56	2,702,028.55	12,143,108.54	2,758,734.95	-300,000,000.00	1,001,825,982.60
Impairment loss recognised during current period	77,708,026.97	558,718.94	-199,251.13	30,761.71	-28,084.55	78,070,171.94
Depreciation and amortisation expenses	347,843,378.03	3,474,563.59	36,222,072.15	42,345,016.48	-1,200,425.03	428,684,605.22

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(2) Revenue from external transactions by origin of revenue

Item	Current period	Corresponding period of last year
Revenue from external transactions derived from China	3,219,317,124.16	4,326,006,561.50
Revenue from external transactions derived from other countries	1,073,864,059.40	3,490,078,758.18
Total	4,293,181,183.56	7,816,085,319.68

(3) Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China (except Hong Kong)	9,863,622,974.36	14,522,172,411.45
Hong Kong	625,076,129.61	640,462,653.28
Total	10,488,699,103.97	15,162,635,064.73

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

(III) Discontinued operations

Item	Amount for the period	Amount for last period
I. Income from discontinued operations	729,298,017.81	3,271,811,612.22
Less: termination costs and operating expenses	922,411,277.25	3,686,588,313.02
II. Total profit from discontinued operations	-193,113,259.44	-414,776,700.80
Less: income tax expenses from discontinued operations	89,723.67	466,920.23
III. Net profit from discontinued operations	-193,202,983.11	-415,243,621.03
Including: net profit from discontinued operations attributable to the parent company	-144,404,842.46	-317,813,586.68
Add: net proceeds from disposal businesses (after-tax)	3,389,643,311.70	
Including: total profit or loss of disposal		
Less: income tax expenses (or proceeds)		
IV. Total net profit from discontinued operations	3,196,440,328.59	-415,243,621.03
Including: total net profits from discontinued operations attributable to owners of the parent company	3,245,238,469.24	-317,813,586.68
V. Net amount of cash flow from discontinued operations		
Including: net cash flows from operating activities	555,713,864.41	-1,079,050,022.99
Net cash flows from investing activities	-806,725,248.73	211,078,082.71
Net cash flows from financing activities	-4,712,348,975.40	111,314,809.49

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

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

(1) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash	708.90	708.90
Bank deposits	362,893,137.63	83,637,480.26
Other cash at bank and on hand	392,713,944.44	30,000,000.00
Total	755,607,790.97	113,638,189.16

Breakdown of utilization of restricted monetary funds

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	390,000,000.00	30,000,000.00
Interests of fixed deposits	2,713,944.44	
Total	392,713,944.44	30,000,000.00

(2) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	62,953,832.62	45,832,847.74
Less: Provision for bad debts	314,769.15	5,748,065.05
Net amount	62,639,063.47	40,084,782.69

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

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	62,185,363.76	310,926.81	0.50
1-2 years	768,468.86	3,842.34	0.50
Total	62,953,832.62	314,769.15	-

(Continued)

Ageing	Beginning 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	0.50
3-4 years	200,000.00		
4-5 years			
Over 5 years	8,167,752.11	5,696,205.85	69.74
Total	45,832,847.74	5,748,065.05	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

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 Including: Accounts receivable of which the credit risk has significantly increased since initial recognition	62,953,832.62	100.00	314,769.15	0.50	62,639,063.47
Provision for bad debts made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	62,953,832.62	100.00	314,769.15	0.50	62,639,063.47
Total	62,953,832.62	-	314,769.15	-	62,639,063.47

(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 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 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

(1) 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	62,185,363.76	310,926.81	0.50
1-2 year	768,468.86	3,842.34	0.50
Total	62,953,832.62	314,769.15	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

4. Provision for bad debts

Type	Beginning balance	Change in the period			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts in respect of accounts receivable	5,748,065.05	308,934.05		-5,742,229.95	314,769.15
Total	5,748,065.05	308,934.05		-5,742,229.95	314,769.15

5. Top five accounts receivable by ending balance of debtors

Name of Unit	Relationship with the Company	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Connected party	57,381,093.84	Within one year	91.15	286,905.46
Guangzhou Shipyard International Company Limited	Connect party	4,804,269.92	Within one year	7.63	24,021.35
Guangzhou Municipal Engineering Testing Co., Ltd	Third party	768,468.86	1-2 years	1.22	3,842.34
Total		62,953,832.62		100.00	314,769.15

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

(3) Prepayments

1. Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	2,831,781.00	100.00	5,866,137.29	89.07
1-2 years			19,703.60	0.30
2-3 years			700,000.00	10.63
Over 3 years				
Total	2,831,781.00	-	6,585,840.89	-

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

2. 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	100.00
Total	2,831,781.00	-	

(4) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		199,136.97
Other receivables	7,758,544.68	8,653,175.91
Total	7,758,544.68	8,852,312.88

1. Interest receivable

(1) Breakdown of interest receivable

Item	Ending balance	Beginning balance
Fixed deposit interest		199,136.97
Total		199,136.97

2. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	7,797,532.34	8,654,862.55
Less: Provision for bad debts	38,987.66	1,686.64
Total	7,758,544.68	8,653,175.91

(1) Breakdown by nature

Nature of amount	Book balance as at the end of the period	Book balance as at the beginning of the year
Temporary payments receivable	7,403,329.72	8,381,912.97
Refundable deposit	248,748.00	248,748.00
Reserve funds	145,454.62	24,201.58
Total	7,797,532.34	8,654,862.55

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

(2) 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
Provision for bad debts				
Balance as at 1 January 2020		1,686.64		1,686.64
Book balance of other receivables as at 1 January 2020	-	-	-	-
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the period		37,527.02		37,527.02
Reversed during the period				
Offset during the period				
Written off during the period				
Other changes		-226.00		-226.00
Balance as at 30 June 2020		38,987.66		38,987.66

(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	Book balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	7,548,784.34	37,743.92	0.50
1-2 years	248,748.00	1,243.74	0.50
Total	7,797,532.34	38,987.66	-

(3) Ageing analysis

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	7,548,784.34	37,743.92	0.50
1-2 years	248,748.00	1,243.74	0.50
Total	7,797,532.34	38,987.66	-

(Continued)

Ageing	Beginning 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
Total	8,654,862.55	1,686.64	-

NOTES TO THE FINANCIAL STATEMENTS

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(4) Provision for bad debts

Type	Beginning balance	Change in the current period			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts for other receivables	1,686.64	37,527.02		-226.00	38,987.66
Total	1,686.64	37,527.02		-226.00	38,987.66

(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	Current account	7,360,030.08	Within one year	94.39	36,800.15
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Deposit	248,748.00	1-2 years	3.19	1,243.74
CSSC (Hong Kong) Shipping Company Limited	Current account	24,121.28	Within one year	0.31	120.61
Sinopec Chemical Commercial Holding Company Limited Guangdong Guangzhou Branch	Current account	16,866.68	Within one year	0.22	84.33
Total		7,649,766.04		98.11	38,248.83

(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

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(5) Inventories

1. Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for inventory impairment/ Provision for contract performance costs impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials				12,654,464.93		12,654,464.93
Finished goods				21,946,756.31		21,946,756.31
Contract performance cost				43,195,028.91	2,038,262.76	41,156,766.15
Goods in transit				2,286,148.77		2,286,148.77
Total				80,082,398.92	2,038,262.76	78,044,136.16

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

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision made	Others	Reversal or writing-off	Other transfer-out	
Raw materials		445,689.13		445,689.13		
Finished goods		286,613.34		286,613.34		
Contract performance cost	2,038,262.76	1,848,261.70		3,886,524.46		
Total	2,038,262.76	2,580,564.17		4,618,826.93		

3. Provision for impairment of inventories made

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

(6) Assets held-for-sale

Item	Ending balance	Provision of impairment	Book value at the end of the period	Fair value	Estimated disposal cost	Estimated disposal time
49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited	641,125,874.53		641,125,874.53	963,831,800.00	576,255.52	10 September 2020
Total	641,125,874.53		641,125,874.53	963,831,800.00	576,255.52	

Other explanations:

See Note 6 (9) for details.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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(7) Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Long-term entrusted loans due within one year	50,055,555.56	70,000,000.00	Note
Long-term receivables due within one year		200,000,000.00	
Total	50,055,555.56	270,000,000.00	

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

(8) Other current assets

Item	Ending balance	Beginning balance
Short-term entrusted financial management	70,000,000.00	
Value-added tax and input tax to be offset	43,723,304.22	44,609,360.00
Short-term borrowing and repayment on a consolidated basis		200,000,000.00
Total	113,723,304.22	244,609,360.00

(9) 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	
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	

(10) 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	3,171,466,036.56		3,171,466,036.56	7,232,881,238.66		7,232,881,238.66
Investments in joint ventures						
Investments in associates	3,059,021,347.99		3,059,021,347.99	1,248,397,435.16		1,248,397,435.16
Total	6,230,487,384.55		6,230,487,384.55	8,481,278,673.82		8,481,278,673.82

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)

(1) Investments in subsidiaries

Investee	Beginning balance	Increase for the period	Decrease for the period	Ending balance	Provision for impairment made during the period	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		4,061,415,202.10	3,171,466,036.56		

(2) 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
Guangzhou Shipyard International Company Limited	607,492,419.83	2,550,768,745.86		-98,961,895.42	-313,694.29	35,782.01				3,058,021,347.99	
CSSC Chengxi Yangzhou Shipbuilding Company Limited	640,905,015.33			220,869.20				-641,125,874.53			
Total	1,248,397,435.16	2,550,768,745.86		-98,741,026.22	-313,694.29	35,782.01		-641,125,874.53		3,058,021,347.99	

Note: In February 2020, the Company lost control of GSI due to the disposal of certain equity. Subsequent to the disposal, the Company can have a significant impact on GSI. Therefore, it is changed to adopt the equity method for accounting, and the equity method is adopted for adjustment when deemed to be acquired.

1. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Unlisted	6,230,487,384.55	7,873,786,253.99
Total	6,230,487,384.55	7,873,786,253.99

(11) Investments in other equity instruments

1. Information on investments in other equity instruments

Item	Ending balance	Beginning balance
Investments in other equity instruments Including: At fair value through other comprehensive income	3,793,111,335.04 3,793,111,335.04	
Total	3,793,111,335.04	

2. Analysis of investments in other equity instruments

Item	Ending balance	Beginning balance
Listed Including: China (except Hong Kong)	3,793,111,335.04 3,793,111,335.04	
Total	3,793,111,335.04	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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3. Breakdown of other equity instruments

Item	Ending balance			Beginning balance		
	Book cost	Change in fair value	Carrying value	Book cost	Change in fair value	Carrying value
Sub-total of listed	2,857,883,200.00	935,228,135.04	3,793,111,335.04			
CSSC Holdings	2,857,883,200.00	935,228,135.04	3,793,111,335.04			
Total	2,857,883,200.00	935,228,135.04	3,793,111,335.04			

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

Item	Dividend income recognized during the period	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Sub-total of listed		935,228,135.04				
CSSC Holdings		935,228,135.04			Investments net held-for-trading	
Total		935,228,135.04				

(12) Fixed assets

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	529,139,712.84	18,277,342.62	921,168.58	1,189,412.86	549,527,636.90
2. Increase for the period					
3. Decrease for the period		18,277,342.62	360,945.50	35,221.24	18,673,509.36
(1) Disposal of retirement		18,277,342.62	360,945.50	35,221.24	18,673,509.36
4. Ending balance	529,139,712.84		560,223.08	1,154,191.62	530,854,127.54
II. Accumulated depreciation					
1. Beginning balance	86,291,446.27	14,903,410.17	476,478.56	420,236.11	102,091,571.11
2. Increase for the period	9,881,702.62	66,646.89	30,029.99	109,486.04	10,087,865.54
(1) Provision made	9,881,702.62	66,646.89	30,029.99	109,486.04	10,087,865.54
3. Decrease for the period		14,970,057.06	286,478.30	2,230.68	15,258,766.04
(1) Disposal of retirement		14,970,057.06	286,478.30	2,230.68	15,258,766.04
4. Ending balance	96,173,148.89		220,030.25	527,491.47	96,920,670.61
III. Carrying value					
1. Ending carrying value	432,966,563.95		340,192.83	626,700.15	433,933,456.93
2. Beginning carrying value	442,848,266.57	3,373,932.45	444,690.02	769,176.75	447,436,065.79

Note: The depreciation of fixed assets recognised in profit or loss during the period amounted to RMB10,087,865.54 (Previous period: RMB3,100,218.20);

Included in fixed assets added during the period is capitalised construction in progress of RMB0.

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From 1 January 2020 to 30 June 2020

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(2) Fixed assets leased out through operating leases

Item	Carrying value
Buildings and structures	274,283,161.76
Total	274,283,161.76

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

Item	Ending balance	Beginning balance
Within China	432,966,563.95	442,848,266.57
Medium term (10-50 years)	432,966,563.95	442,848,266.57
Total	432,966,563.95	442,848,266.57

(13) Right-to-use assets

Item	Buildings and structures	Machinery and equipment	Total
I. Original carrying amount			
1.Beginning balance	2,730,577.09		2,730,577.09
2.Increase for the period			
3.Decrease for the period			
4.Ending balance	2,730,577.09		2,730,577.09
II. Provision amortisation			
1.Beginning balance	834,342.96		834,342.96
2.Increase for the period	455,096.16		455,096.16
(1) Provision made	455,096.16		455,096.16
3.Decrease for the period			
4.Ending balance	1,289,439.12		1,289,439.12
III. Carrying value			
1.Carrying value at the end of the period	1,441,137.97		1,441,137.97
2.Carrying value at the beginning of the period	1,896,234.13		1,896,234.13

Other explanations: The depreciation of right-to-use assets recognized as profit and loss during current period amounted to RMB455,096.16. (Previous period: RMB379,246.80).

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(14) Intangible assets

1. Breakdown of intangible assets

Item	Land use rights	Shoreline 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. Provision amortisation					
1.Beginning balance	4,619,401.21				4,619,401.21
2.Increase for the period					
(1) Provision made	67,548.66				67,548.66
3.Decrease for the period					
4.Ending balance	4,686,949.87				4,686,949.87
III. Carrying value					
1.Carrying value at the end of the period	10,093,558.63				10,093,558.63
2.Carrying value at the beginning of the year	10,161,107.29				10,161,107.29

Other explanations:

- (1) There were no intangible assets arising from internal research and development of the Company during the current period.
- (2) Depreciation and amortization of intangible assets recognised in profit or loss during the current period amounted to RMB67,548.66 (Previous period: RMB145,967.81).
- (3) Land use rights analysed by region and term

Item	Ending balance	Beginning balance
Within China	10,093,558.63	10,161,107.29
Medium term (10-50 years)	10,093,558.63	10,161,107.29
Total	10,093,558.63	10,161,107.29

2. Land use rights without property right certificate

Nil

(15) Long-term prepaid expenses

Item	Beginning balance	Increase for the period	Amortisation for the period	Other decreases for the period	Ending balance
Improvements in office buildings of Shipping Building	720,906.87		173,017.68		547,889.19
Total	720,906.87		173,017.68		547,889.19

NOTES TO THE FINANCIAL STATEMENTS

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(16) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deductible tax loss	80,000,000.00	20,000,000.00	80,000,000.00	20,000,000.00
Total	80,000,000.00	20,000,000.00	80,000,000.00	20,000,000.00

2. Deferred tax liabilities not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax liabilities	Deductible temporary difference	Deferred tax liabilities
Change in fair value of investments in other equity instruments	935,228,135.04	233,807,033.76		
Total	935,228,135.04	233,807,033.76		

3. Breakdown of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	353,756.81	7,788,014.45
Deductible tax loss	423,703,731.75	412,389,806.14
Total	424,057,488.56	420,177,820.59

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

Year	Ending balance	Beginning balance
2019		
2020	328,054,955.11	328,054,955.11
2021	51,262,939.86	51,262,939.86
2022		
2023	20,260,970.07	20,260,970.07
2024	12,810,941.10	12,810,941.10
2025	11,313,925.61	
Total	423,703,731.75	412,389,806.14

(17) Other non-current assets

Item	Ending balance	Beginning balance
Long-term entrusted loans	185,205,555.56	420,000,000.00
Long-term borrowing and repayment on a consolidated basis	600,339,166.66	
Relocation expenses to be written off	17,410,962.77	16,902,001.36
Total	802,955,684.99	436,902,001.36

Other explanations: 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.

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From 1 January 2020 to 30 June 2020

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(18) Short-term borrowings

Breakdown of short-term borrowings

Type of borrowings	Ending balance	Beginning balance
Guaranteed borrowings		200,000,000.00
Total		200,000,000.00

(19) Accounts payable

1. Accounts payable by category

Item	Ending balance	Beginning balance
Materials purchased	871,354.50	45,197,932.54
Payment for projects under construction	128,518,926.14	128,518,926.14
Retention money	55,956.39	1,224,706.20
Other construction and labour services	38,987,703.00	4,970,431.30
Total	168,433,940.03	179,911,996.18

2. Ageing analysis of accounts payable based on the transaction date

Aging	Ending balance	Beginning balance
Within one year	167,506,629.14	170,174,746.13
1-2 years	871,354.50	136,110.00
2-3 years		
Over 3 years	55,956.39	9,601,140.05
Total	168,433,940.03	179,911,996.18

(20) Advances from customers

Item	Ending balance	Beginning balance
Advances from equity transfer	491,554,218.00	
Total	491,554,218.00	

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(21) Contract liabilities

1. Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Electromechanical products and others	10,304,181.00	59,818,924.73
Total	10,304,181.00	59,818,924.73

Other explanations: The income included in the beginning carrying value of contract liabilities recognized in the period amounted to RMB7,690,800.00.

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

Item	Amount of change	Reason for change
Electromechanical products and others	-49,514,743.73	There was a difference between the collection progress and the progress of revenue confirmation, resulting a decrease in the balance of contract liabilities
Total	-49,514,743.73	

(22) Employee benefits payable

1. Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term remuneration		5,016,668.36	5,016,668.36	
Post-employment benefits – defined contribution plans		155,188.56	155,188.56	
Total		5,171,856.92	5,171,856.92	

2. Short-term remuneration

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Salaries, bonuses, allowances and subsidies		2,979,347.55	2,979,347.55	
Employee benefits		224,950.12	224,950.12	
Social insurance		178,986.47	178,986.47	
Including: Medical insurance contribution		149,067.69	149,067.69	
Work-related injury insurance contribution		1,969.90	1,969.90	
Maternity insurance contribution		27,948.88	27,948.88	
Housing fund		393,734.00	393,734.00	
Labour union & employee education funds		73,131.69	73,131.69	
Outsourcing labour costs and others				
Short-term remuneration		1,166,518.53	1,166,518.53	
Total		5,016,668.36	5,016,668.36	

NOTES TO THE FINANCIAL STATEMENTS

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3. Defined contribution plans

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

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

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Basic pension insurance		146,261.64	146,261.64	
Unemployment insurance contribution		8,926.92	8,926.92	
Total		155,188.56	155,188.56	

Other explanations: As at the end of the period, all planned pension and unemployment insurance contributions of the Group had been made.

(23) Taxes payable

Item	Ending balance	Beginning balance
Value-added tax		2,124,503.04
City maintenance and construction tax		148,715.21
Property tax	201,560.92	
Individual income tax	224,983.61	460,855.86
Educational surcharge		66,117.89
Other taxes	46,620.68	1,900.60
Total	473,165.21	2,802,092.60

(24) Other payables

Item	Ending balance	Beginning balance
Interest payable		565,277.78
Dividends payable	304,042.49	304,042.49
Other payables	11,758,934.19	52,727,443.33
Total	12,062,976.68	53,596,763.60

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
Short-term borrowings Interest payable		113,055.56
Total		565,277.78

NOTES TO THE FINANCIAL STATEMENTS

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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
Total	304,042.49	304,042.49

3. Other payables

By nature

Nature of payment	Ending balance	Beginning balance
Payables for temporary receipts	11,758,934.19	51,977,443.33
Deposits received		750,000.00
Total	11,758,934.19	52,727,443.33

(25) 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 one year	953,276.09	898,274.92
Total	953,276.09	200,898,274.92

(26) Other current liabilities

Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Output value-added tax payable		30,817.60
Total		30,817.60

(27) Long-term borrowings

Type of borrowings	Ending balance	Beginning balance
Credit loans	600,339,166.66	800,000,000.00
Total	600,339,166.66	800,000,000.00
The carrying amount of the above borrowings shall be repaid:		
Within one year	339,166.66	200,000,000.00
Over one year but less than two years after balance sheet date	600,000,000.00	600,000,000.00
Less: Amount due within one year, as shown under current liabilities		200,000,000.00
Amount shown under non-current liabilities	600,339,166.66	600,000,000.00

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

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(28) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment amount	1,601,360.03	2,076,788.62
Less: Unrecognized financing cost	48,939.28	82,351.21
Less: Lease liability due within one year	953,276.09	898,274.92
Total	599,144.66	1,096,162.49

(29) Long-term payables

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

Other explanations: For details, please see Note VI. (37).

(30) Share capital

For details, please see Note VI. (41).

(31) Capital reserve

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share premium	6,147,344,797.85			6,147,344,797.85
Other capital reserve	2,188,547,202.64	35,762.01		2,188,582,964.65
Total	8,335,892,000.49	35,762.01		8,335,927,762.50

Other explanations:

The balance of other capital reserve at the beginning of the year was adjusted. For details, please see Note III. (37).

The increase of other capital reserve in the current period was due to other changes of equity of investee accounted by the equity method recognized on a pro-rata basis.

(32) Other comprehensive income

Item	Beginning balance	Amount for the period		Ending balance
		Amount before income tax	Less: Income tax expense	
I. Other comprehensive income that may not be subsequently reclassified to profit and loss	-1,891,574.80	934,914,440.75	233,807,033.76	699,215,832.19
1. Other comprehensive income that may not be transferred to profit and loss under the equity method	-1,891,574.80	-313,694.29		-2,205,269.09
2. Change in fair value of investments in other equity instruments		935,228,135.04	233,807,033.76	701,421,101.28
II. Other comprehensive income that will be subsequently reclassified to profit or loss				
Total other comprehensive income	-1,891,574.80	934,914,440.75	233,807,033.76	699,215,832.19

Other explanations: The balance of other comprehensive income at the beginning of the year was adjusted. For details, please see Note III. (37).

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(33) Surplus reserve

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	454,099,692.72			454,099,692.72
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	472,681,889.15			472,681,889.15

(34) Undistributed profit

Item	Current period	Corresponding period of last year
Undistributed profit as at the end of last year before adjustment	721,076,162.84	720,977,633.51
Add: Beginning adjustment to undistributed profit	-1,578,580,276.76	
Including: Other adjustments	-1,578,580,276.76	
Undistributed profits as at the beginning of the year after adjustment	-857,504,113.92	720,977,633.51
Add: Net profit for the year	1,244,587,511.72	2,745,914.13
Undistributed profits as at the end of the period	387,083,397.80	723,723,547.64

Other explanations: The undistributed profits was adjusted at the beginning of the year. For details, please see Note III. (37).

(35) Net current assets

Item	Ending balance	Beginning balance
Current assets	1,633,741,914.43	761,814,621.78
Less: Current liabilities	683,781,757.01	697,058,869.63
Net current assets	949,960,157.42	64,755,752.15

(36) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	12,926,312,361.73	10,760,209,611.04
Less: Current liabilities	683,781,757.01	697,058,869.63
Total assets less current liabilities	12,242,530,604.72	10,063,150,741.41

(37) Borrowings

Details of the borrowings of the Group are as follows

Item	Ending balance	Beginning balance
Short-term borrowings		200,000,000.00
Non-current liabilities due within one year		200,000,000.00
Long-term borrowings	600,339,166.66	600,000,000.00
Total	600,339,166.66	1,000,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
Bank borrowings repayable within 5 years	600,339,166.66	1,000,000,000.00
Total	600,339,166.66	1,000,000,000.00

2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	339,166.66	400,000,000.00
1-2 years	600,000,000.00	600,000,000.00
Total	600,339,166.66	1,000,000,000.00

(38) Operating income & Operating costs

1. Information on operating income and operating cost

Item	Current period	Corresponding period of last year
Principal business	85,623,801.70	87,927,387.94
Other business	12,598,800.00	4,034,001.87
Total	98,222,601.70	91,961,389.81
Principal business	86,423,707.31	87,767,538.10
Other business	8,257,207.08	1,275,411.47
Total	94,680,914.39	89,042,949.57

Gross profit from principal business

Item	Current period	Corresponding period of last year
Income from principal business	85,623,801.70	87,927,387.94
Cost of principal business	86,423,707.31	87,767,538.10
Gross profit	-799,905.61	159,849.84

(1) Principal business – by product

Name of products	Current period	Corresponding period of last year
Operating income:		
Steel structure products	4,430,093.02	12,001,723.14
Electromechanical products and others	81,193,708.68	75,925,664.80
Total	85,623,801.70	87,927,387.94
Operating cost:		
Steel structure products		11,625,265.63
Electromechanical products and others	86,423,707.31	76,142,272.47
Total	86,423,707.31	87,767,538.10

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(2) *Principal business – by region*

Item	Current period	Corresponding period of last year
Operating income:		
China (including Hong Kong, Macau and Taiwan)	85,623,801.70	87,927,387.94
Operating cost:		
China (including Hong Kong, Macau and Taiwan)	86,423,707.31	87,767,538.10

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

Product name	Current period	Corresponding period of last year
Income from other business:		
Sales of scrap materials		2,146,264.83
Provision of services		973,451.33
Rental	12,598,800.00	914,285.71
Total	12,598,800.00	4,034,001.87
Costs of other business:		
Sales of scrap materials		34,424.02
Provision of services		442,914.53
Rental	8,257,207.08	798,072.92
Total	8,257,207.08	1,275,411.47

2. *Top five customers by operating income*

Customers	Relationship with the Group	Current period	Percentage of total income from principal business (%)
Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Under common control of CSSC	70,255,251.15	82.05
Guangzhou Shipyard International Company Limited	Under common control of CSSC	4,751,953.37	5.55
Huizhou JENTIUM Equipment Co., Ltd.	Third party	2,336,513.27	2.73
Zhuhai Nan'an Plastic Products Co., Ltd.	Third party	2,106,194.69	2.46
Kingboard (Lian Zhou) Copper Foil Limited	Third party	1,925,840.70	2.25
Total		81,375,753.18	95.04

3. *Purchase amounts from top five suppliers*

Suppliers	Relationship with the Group	Current period	Percentage of total income from principal business (%)
Foshan Shunde Bogang Metal Trading Co., Ltd.	Third party	2,181,232.83	2.52
Guangzhou Jin Jiefu Products Co., Ltd.	Third party	1,320,227.59	1.53
Foshan Shunde Cheng Jiang Hui Metal Materials Co, Ltd.	Third party	1,018,385.96	1.18
Guangzhou Zhuoneng Steel Structures Company Limited	Third party	606,015.97	0.70
Guangzhou Jiaying Metal Products Co., Ltd.	Third party	397,053.10	0.46
Total		5,522,915.45	6.39

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(39) Taxes and surcharges

Item	Current period	Corresponding period of last year
City maintenance and construction tax	668,917.45	335,730.59
Educational surcharge	477,798.18	239,807.57
Property tax	550,925.08	594,866.55
Land use tax	5,519.52	179,963.10
Stamp duty	2,509,274.30	44,498.95
Vehicle usage tax	1,560.00	1,592.16
Total	4,213,994.53	1,396,458.92

(40) Selling expenses

Item	Current period	Corresponding period of last year
Transportation fees	272,398.68	910,383.10
Business expenditure	7,332.64	318,934.24
Advertising publicity fee		14,916.81
Warranty fee		1,002.83
Total	279,731.32	1,245,236.98

(41) Administrative expenses

Item	Current period	Corresponding period of last year
Employee benefits	3,134,031.03	3,915,628.71
Board meeting fee	3,110,874.96	1,256,866.52
Depreciation charge	2,124,577.10	196,575.26
Repairing expenses	309,154.19	420,957.39
Logistics service fees	119,923.00	87,735.85
Other administrative expenses	682,245.39	4,173,653.43
Total	9,480,805.67	10,051,417.16

(42) Finance cost

Item	Current period	Corresponding period of last year
Interest expenses	8,184,717.45	14,208,124.99
Less: Interest income	17,593,464.38	28,187,838.37
Add: Net exchange losses	538.84	-10,630.22
Other expenses	10,383.14	58,241.01
Total	-9,397,824.95	-13,932,102.59

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

1. Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank borrowings and overdraft	8,151,305.55	14,208,124.99
Interest on bank borrowings due within 5 years	8,151,305.55	14,208,124.99
Other interest expenses	33,411.90	
Total	8,184,717.45	14,208,124.99

2. Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	3,511,718.60	594,766.43
Interest income from receivables	14,081,745.78	27,593,071.94
Total	17,593,464.38	28,187,838.37

(43) Other income

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/income
Withholding and remitting fees of individual income tax	14,346.29			
Total	14,346.29			

(44) Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	-98,741,026.22	-1,479,212.18
Investment income from disposal of long-term equity investments	1,347,236,743.76	
Total	1,248,495,717.54	-1,479,212.18

Other explanations: Investment income from investment in non-listed companies for current period amounted to RMB1,248,495,717.54 (Previous period: RMB-1,479,212.18).

(45) Credit impairment loss

Item	Current period	Corresponding period of last year
Loss on bad debts of accounts receivable	-308,934.05	67,531.15
Loss on bad debts of other receivables	-37,527.02	248.17
Total	-346,461.07	67,779.32

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(46) Loss on impairment of assets

Item	Current period	Corresponding period of last year
Loss on impairment of inventories	-732,302.47	
Loss on impairment of assets related to contract performance cost	-1,848,261.70	
Total	-2,580,564.17	

(47) Non-operating income

Breakdown of non-operating income

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Others	46,443.78		46,443.78
Total	46,443.78		46,443.78

Other explanations: The amount included in non-recurring gains and losses for current period was RMB46,443.78 (Previous period: RMB0).

(48) Non-operating expenses

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Penalty	6,951.39	82.78	6,951.39
Total	6,951.39	82.78	6,951.39

Other explanations: The amount included in non-recurring gains and losses for current period was RMB6,951.39 (Previous period: RMB82.78).

(49) Income tax expense

Reconciliation sheet between income tax expenses and total profit

Item	Current period	Corresponding period of last year
Total profit	1,244,587,511.72	2,745,914.13
Income tax expenses calculated at statutory/applicable tax rate	311,146,877.93	686,478.53
Impact of non-taxable income	-312,123,929.38	-369,803.05
Impact of non-deductible costs, expenses and losses	7,134.46	6,323.56
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised		-322,999.04
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	969,916.99	
Income tax expense		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(50) Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of fixed assets	10,087,865.54	3,100,218.20
Depreciation of right-of-use assets	455,096.16	379,246.80
Amortisation of intangible assets	67,548.66	145,967.81
Amortisation of long-term prepaid expenses	173,017.68	28,836.28
Total	10,783,528.04	3,654,269.09

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

Gain on disposal of investment or properties for the period is RMB1,347,236,743.76 (Previous period: RMB0).

(52) Operating rental expense

Operating rental expense for the period is RMB1,047,692.59 (Previous period: RMB2,811,490.29).

(53) Rental income

Operating rental income for the period is RMB12,598,800.00 (Previous period: RMB914,285.71), including rental income from land and buildings of RMB12,598,800.00 (Previous period: RMB914,285.71).

(54) Supplementary information on income statement

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

Item	Current period	Corresponding period of last year
Raw materials consumed	77,827,527.92	44,445,584.92
Employee compensation expenses	5,171,856.92	24,538,298.70
Depreciation expenses	10,542,961.70	3,479,465.00
Amortisation expenses	240,566.34	174,804.09
Product fee	91,734.60	3,020,912.71
Product exclusive fee	5,129,907.39	20,171,660.98
Others	5,436,896.51	4,508,877.31
Total	104,441,451.38	100,339,603.71

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

(55) Item on cash flow statement of the parent company

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

(1) Other cash receipts relating to operating activities

Item	Current period	Corresponding period of last year
Other current account received	2,610,126.12	2,655,585.47
Withholding and remitting fees of individual income tax	14,346.29	
Interest income	769,874.91	2,885,996.85
Total	3,394,347.32	5,541,582.32

(2) Other cash payments relating to operating activities

Item	Current period	Corresponding period of last year
Payment of other current accounts	46,702,498.52	7,615,253.22
Administrative expense	4,437,845.89	5,397,909.09
Reserve funds	187,118.68	441,314.97
Selling expenses	4,978.31	17,421.14
Bank charges	10,542.43	58,631.90
Total	51,342,983.83	13,530,530.32

(3) Other cash receipts relating to investing activities

Item	Current period	Corresponding period of last year
Collection of principal and interest on loans made and settled on a consolidated basis	408,377,416.67	114,008,652.77
Principal and interest of entrusted loan	261,570,000.00	14,354,444.43
Fixed deposits with maturity of over three months and principal and interest income of various security deposits	30,273,000.0	
Total	700,220,416.67	128,363,097.20

(4) Other cash payments relating to investing activities

Item	Current period	Corresponding period of last year
Fixed deposits with maturity of over three months	390,000,000.00	30,000,000.00
Grant of entrusted loans to subsidiaries		100,000,000.00
Payment of loans to subsidiaries made and settled on a consolidated basis		400,000,000.00
Total	390,000,000.00	530,000,000.00

(5) Other cash payment relating to financing activities

Item	Current period	Corresponding period of last year
Expenditure on lease assets	475,428.56	
Total	475,428.56	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

2. Supplementary information on cash flow statement

Item	Current period	Last period
Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,244,587,511.72	2,745,914.13
Add: Provision for impairment of assets	2,580,564.17	
Credit impairment loss	346,461.07	-67,779.32
Depreciation of fixed assets	10,542,961.70	3,479,465.00
Amortisation of intangible assets	67,548.66	145,967.81
Amortisation of long-term prepaid expenses	173,017.68	28,836.28
Finance cost	-8,998,933.93	-13,395,577.17
Loss on investments	-1,248,495,717.54	1,479,212.18
Decrease in inventories	80,082,398.92	19,726,827.99
Decrease in operating receivables	-12,509,594.78	6,677,028.04
Increase in operating payables	-112,041,810.90	-27,146,963.76
Net cash flows from operating activities	-43,665,593.23	-6,327,068.82
Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
Net changes in cash and cash equivalents:		
Ending balance of cash	362,893,846.53	77,410,995.53
Less: Beginning balance of cash	83,638,189.16	99,371,121.05
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	279,255,657.37	-21,960,125.52

3. Composition of cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	362,893,846.53	83,638,189.16
Including: Cash on hand	708.90	708.90
Bank deposits available for use on demand	362,893,137.63	83,637,480.26
Cash equivalents		
Cash and cash equivalents at the end of the period	362,893,846.53	83,638,189.16

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

(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 period

1. According to the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-recurring Gains and Losses (2008) issued by China Securities Regulatory Commission, the non-recurring gains and losses of the Group for the period were as follows:

Item	Current period	Description
Gain or loss on disposal of non-current assets	-665,959.82	
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	28,832,150.29	
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	1,760,005.87	
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or assets under management	2,293,150.68	
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	-41,730,221.33	
Reversal of the provision for impairment of receivables which are tested individually for impairment	20,000.00	
Gains or losses from entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	464,186.07	
Other gain or loss items meeting the definition of non-recurring gains or losses	3,389,119,929.67	
Sub-total	3,380,093,241.43	
Effect of income tax	9,469,091.87	
Effect of minority interests (after tax)	12,236,269.74	
Total	3,401,798,603.04	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

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

2. Notes to the “Other gain or loss items meeting the definition of non-recurring gains or losses” and the non-recurring gain or loss items designated as recurring items based on the natures and features of its operation

- (1) Description on other gain and loss items meeting the definition of non-recurring gains or losses

Other gain and loss items meeting the definition of non-recurring gains or losses were mainly gain on disposal of long-term equity investments amounted to RMB3,388,812,191.70, including the gain on disposal of certain equity of GSI and the income from the remaining equity re-calculated at fair value after the loss of control aggregating RMB3,389,643,311.70.

- (2) Description on items defined as recurring gains or losses

Item	Amount	Reason
Grant for insurance maintained for first piece (set)	7,722,287.51	Closely relating to operation, granted at fixed amount and on a continuous basis
Finance interest discount	19,450,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Value added tax of self produced software refund upon collection	563,270.66	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	27,735,558.17	

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 or losses in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses.

(2) Returns on net assets and earnings per share

In accordance with the Explanatory Announcement No. 9 on Information Disclosure for Companies Offering Their Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings Per Share (2010 revision), the weighted average return on net assets, basic earnings per share and diluted earnings per share of the Group for the period were as follows:

Profit for the Reporting Period	Weighted average return on net assets (%) Current period	Earnings per share	
		Basic earnings per share Current period	Diluted earnings per share Current period
Net profit attributable to shareholders of the parent company	27.37	2.1951	2.1951
Net profit attributable to shareholders of the parent company, net of non-recurring gains and losses	-2.64	-0.2115	-0.2115

CSSC Offshore & Marine Engineering (Group) Company Limited

28 August 2020