



中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

H Stock Code: 00317 A Stock Code: 600685

Annual Report **2021**

TABLE OF CONTENTS

Section I	Definitions	3
Section II	Company Overview and Major Financial Indicators	4
Section III	Report of the Board	10
Section IV	Corporate Governance	29
Section V	Environmental and Social Responsibilities	50
Section VI	Significant Events	53
Section VII	Changes in Shares and Shareholders	69
Section VIII	Financial Report	74
Section IX	Five-Year Financial Summary	272

- I. **The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant that there are no false statements, misleading information or material omissions in this annual report and are jointly and severally responsible for the truthfulness, accuracy and completeness of the contents of this annual report.**
- II. **All directors of the Company attended the 12th meeting of the tenth session of the Board held on 30 March 2022. The annual report for 2021 was unanimously approved at the meeting.**
- III. **BDO China Shu Lun Pan Certified Public Accountants LLP has issued standard auditors' report without qualifying opinions for the Company.**
- IV. **Han Guangde, the person in charge of the Company, Hou Zengquan, the person in charge of accounting, and Xie Weihong, the head of accounting department (accountant in charge), have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this annual report.**
- V. **Profit distribution proposal or proposal for capitalisation of capital reserves of the Company for the Reporting Period considered and passed by the Board**

The Company intends to distribute a cash dividend of RMB1.38 (tax inclusive) for every 10 shares to all shareholders, calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2021, and the total cash dividends to be distributed will be RMB195,063,880.16 (tax inclusive), representing 245.71% of the net profit attributable to shareholders of the parent in the consolidated financial statements for the year. The remaining undistributed profits of the Company will be carried forward for distribution in future years. The Company did not convert capital reserve into share capital for 2021. If there is a change in the total share capital of the Company prior to the record date of registration of the equity distribution, it is intended that the distribution ratio per share will remain unchanged and the total amount of distribution will be adjusted accordingly, and further announcement will be made on the specific adjustment. This profit distribution proposal is subject to approval at the 2021 annual general meeting.
- VI. **This annual report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.**
- VII. **No controlling shareholder or related party of the Company has misappropriated funds of the Company and no guarantee has been provided for by the Company in violation of the required decision-making procedures.**
- VIII. **The relevant risks which might exist have been described in this report in details, please refer to Section III Report of the Board for the risks that the Company might face.**
- IX. **This annual report is prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.**

SECTION I DEFINITIONS

I. DEFINITIONS

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

Definitions of frequently used terms

BDO	BDO China Shu Lun Pan Certified Public Accountants LLP
China Shipbuilding Group	China Shipbuilding Group Co., Ltd., the indirect controlling shareholder of the Company
Company	CSSC Offshore & Marine Engineering (Group) Company Limited
CSSC	China State Shipbuilding Corporation Limited, the controlling shareholder of the Company
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution wholly-owned by CSSC
CSSC Holdings	China CSSC Holdings Limited, a listed company controlled by CSSC
DWT (deadweight tonnage)	deadweight capacity with tonne as unit
Group	CSSC Offshore & Marine Engineering (Group) Company Limited and its subsidiaries
GSI	Guangzhou Shipyard International Company Limited, a company 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
SSE or Shanghai Stock Exchange	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

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND CONTACT METHOD

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

III. GENERAL INFORMATION

Registered address of the Company	15 th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China
Historical changes to the Company's registered address	On 2 April 2020, the registered address of the Company was changed from "40 South Fangcun Main Road, Liwan District, Guangzhou City, the People's Republic of China" to "15 th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China"
Office address of the Company	15 th Floor, Marine Tower, No.137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China
Postal code	510250
Website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name and website of the media in which the Company's annual report is disclosed	"China Securities Journal" (www.cs.com.cn), "Securities Daily" (www.zqrb.com)
Website of the stock exchange where the Company's annual report is disclosed	www.sse.com.cn · www.hkexnews.hk
Place for inspection of the annual report of the Company	Office of the Board

V. INFORMATION ON THE COMPANY'S SHARES

Information on the Company's shares

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

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
	Office address	4/F, No. 61 Nanjing East Road, Huangpu District, Shanghai
	Names of signing accountant	Liang Qianhai, Lu Li
Accounting firm engaged by the Company (overseas)	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
	Office address	4/F, No. 61 Nanjing East Road, Huangpu District, Shanghai
	Names of signing Accountant	Liang Qianhai, Lu Li
Sponsor performing continuous supervisory duty during the Reporting Period	Name	Nil
	Office address	Nil
	Name of the signing representative of sponsor	Nil
	Period of continuous supervision	Nil
Financial advisor performing continuous monitoring and guidance duties during the Reporting Period	Name	Shenwan Hongyuan Financing Services Co., Ltd.
	Office address	3rd Floor, The Center, 989 Changle Road, Shanghai
	Signing officers of financial advisor	Qin Mingzheng and Wang Peng
	Period of continuous monitoring and guidance	31 March 2020 to 31 December 2021
Legal adviser appointed by the Company (domestic)	Name	Guangdong Jingguo Law Firm of China
	Office address	12/F, Guangzhou Exchange Square, 268 Dongfeng Middle Road, Guangzhou
Legal adviser appointed by the Company (Overseas)	Name	Herbert Smith Freehills
	Office address	23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share registrar and transfer office	A Shares	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
	H Shares	Hong Kong Registrars Limited
	Office address	17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

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

(i) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2021	2020	Change compared to same period last year (%)	2019
Operating income	11,671,593,523.47	11,608,460,726.70	0.54	21,829,002,963.77
Operating revenue less business revenue not related to the principal operations and commercially non-substantial revenue	11,453,902,217.84	11,397,374,517.03	0.50	/
Net profit attributable to shareholders of the Company	79,387,401.00	3,662,334,382.03	-97.83	548,320,338.54
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-51,439,140.34	-283,106,559.70	Not applicable	-1,017,092,770.26
Net cash flows from operating activities	4,365,184,193.57	-1,024,407,420.97	Not applicable	3,735,554,000.96
	End of 2021	End of 2020	Change compared to same period last year (%)	End of 2019
Net assets attributable to shareholders of the Company	15,524,746,801.15	14,432,091,546.69	7.57	10,148,256,838.77
Total assets	44,265,408,872.54	38,937,517,272.52	13.68	52,304,069,154.98

(ii) Key financial indicators

Key financial indicators	2021	2020	Change compared to same period last year (%)	2019
Basic earnings per share (RMB/share)	0.0562	2.5910	-97.83	0.3879
Diluted earnings per share (RMB/share)	0.0562	2.5910	-97.83	0.3879
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.0364	-0.2003	Not applicable	-0.7196
Weighted average return on equity (%)	0.53	30.74	-30.21	5.49
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-0.34	-2.38	2.04	-10.19

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

Explanation on the major accounting data and financial indicators of the Company for the past three years as at the end of the Reporting Period

1. During the Reporting Period, the Company achieved a cumulative operating income of RMB11,672 million, representing a year-on-year increase of 0.54%, which remained relatively stable as compared to the previous year.
2. During the Reporting Period, the Company achieved a cumulative operating revenue less business revenue not related to the principal operations and commercially non-substantial revenue of RMB11,454 million, which remained relatively stable as compared to the previous year. Business revenue not related to the principal operations amounted to RMB218 million, which mainly consisted of lease income, income from the sale of materials and income from other businesses such as the provision of energy. There was no commercially non-substantial revenue.
3. During the Reporting Period, the Company achieved a cumulative net profit attributable to shareholders of the Company of RMB79 million, representing a year-on-year decrease of 97.83%, and cumulative earnings per share of RMB0.0562, representing a year-on-year decrease of 97.83%, mainly due to the impact of the recognition of investment income of RMB3,712 million from the disposal of equity interest in GSI and Chengxi Yangzhou last year.
4. During the Reporting Period, the Company achieved a cumulative net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses of RMB-51 million, representing a year-on-year decrease in loss by RMB232 million. Basic earnings per share after deduction of non-recurring gains and losses amounted to RMB-0.0364, representing a year-on-year increase of RMB0.1639, mainly due to the improvement in profit of the principal operations in the Reporting Period.
5. During the Reporting Period, the net cash flows from operating activities of the Company amounted to RMB4,365 million, representing a year-on-year increase of RMB5,390 million. The significant improvement in cash flow was mainly due to the impact of the increase in ship progress payment received during the Reporting Period.
6. At the end of the Reporting Period, the Company's net assets attributable to shareholders of the Company amounted to RMB15,525 million, representing an increase of 7.57% over the beginning of the year, mainly due to combined impacts of the material appreciation of the CSSC Holdings shares held by the Company and the dividends in the current period. Weighted average return on net assets was 0.53%, representing a year-on-year decrease of 30.21 percentage points, mainly due to the impact of the substantial gains generated from the disposal of the equity interest in GSI and Chengxi Yangzhou last year.
7. At the end of the Reporting Period, the balance of exclusively state-owned capital reserve was RMB521 million, which was mainly the state funds allocated to the infrastructure projects, which should be exclusively owned by the State as capital investment by the State in the Company or its subsidiaries after the completion and acceptance of the projects. In accordance with relevant regulations such as the "Interim Measures for the Administration of the Restructuring and Reorganization of Military Enterprises and Institutions and the Review of Military Operations on Capital Operations after Listing" issued by the State Administration of Defense Science and Technology, the capital reserve formed by state-allocated funds shall be owned by the representative of the investor of state-owned assets, i.e. CSSC, and shall be converted into state-owned shares after fulfilling the necessary procedures in accordance with relevant regulations. The impact of exclusively state-owned capital reserve was excluded when calculating the weighted average return on net assets.

VIII. MAJOR FINANCIAL DATA FOR 2021 BY QUARTER

Unit: Yuan Currency: RMB

	First quarter (From January to March)	Second quarter (From April to June)	Third quarter (From July to September)	Fourth quarter (From October to December)
Operating income	1,823,615,807.05	2,893,934,646.43	2,126,077,814.68	4,827,965,255.31
Net profit attributable to shareholders of the Company	-20,944,530.28	-74,098,066.94	101,142,187.09	73,287,811.13
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-15,411,514.09	-119,968,482.06	91,133,115.59	-7,192,259.78
Net cash flows from operating activities	139,777,625.94	-1,177,503,231.44	-142,186,946.16	5,545,096,745.23

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

IX. EXTRAORDINARY ITEMS AND THEIR AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2021	Note (where applicable)	Amount for 2020	Amount for 2019
Gain or loss on disposal of non-current assets	4,667,896.61		-13,672,719.33	-1,064,949.76
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature	191,955.24		1,885,739.20	-
Government grants included in current profit or loss, other than on-going government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	77,007,661.88		138,125,103.91	112,821,078.94
Capital occupation fee received from non-financial entities included in current profit or loss			-	-
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures			1,760,005.87	-
Gain or loss on exchange of non-monetary assets			-	-
Gain or loss on entrusted investments or assets under management			15,467,506.84	13,745,972.01
Provision for impairment on assets due to force majeure events, such as natural disasters			-	-
Gain or loss on debt restructuring			-	-
Corporate restructuring costs, 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 investments, except for effective hedging transactions that are closely related to the Company's normal operation	119,714,954.46		238,754,066.99	-74,006,707.27
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment	37,622,131.34		56,631,839.83	-
Gain or loss on external entrusted loans				352,777.77
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement				
Effect of one-off adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss				
Entrusted fee income from entrusted operations				
Other non-operating income and expenses apart from the aforesaid items	9,865,583.92		40,990,968.04	2,286,549,777.59
Other gain or loss items meeting the definition of non-recurring gains or losses	1,010,537.27		3,711,462,297.66	
Less: Effect of income tax	23,378,213.44		68,055,051.66	151,297,701.88
Effect of minority interests (after tax)	95,875,965.94		177,908,815.62	621,687,138.60
Total	130,826,541.34		3,945,440,941.73	1,565,413,108.80

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

Classification of non-recurring gain or loss items listed in the “Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses” as recurring gain or loss items

Items classified as recurring gains or losses are as follows:

Item	Amount	Reason
Grant for insurance maintained for first piece (set)	33,550,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Finance interest discount	4,480,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Value added tax of self produced software refund upon collection	226,106.20	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	38,256,106.20	

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 recurring gains on losses in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses.

X. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the current period
Financial assets held-for-trading	1,055,191,244.71	3,281,028,607.57	2,225,837,362.86	119,714,954.46
Hedging instruments	–	196,955,482.65	196,955,482.65	–
Hedged items	–	-196,955,482.65	-196,955,482.65	–
Receivable financing	–	192,855,840.34	192,855,840.34	–
Investments in other equity instruments	3,923,780,494.34	5,480,001,529.79	1,556,221,035.45	9,408,064.73
Total	4,978,971,739.05	8,953,885,977.70	3,974,914,238.65	129,123,019.19

Description:

- “Hedged items” is a liability, and thus it is listed as negative figure.
- “Amount of impact on profit for the current period” includes gain or loss on change in fair value and investment income.

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2021, against the background of the recovery of the international shipping market, vigorous renewal of container shipping and recovery of the global new shipbuilding market, the Group seized market opportunities, strengthened and optimized its main business, took reform and innovation as the driving force, and military-civilian integration as its business model, and continued to improve the quality of the Company's development.

(i) Breakthrough in orders secured

The Group resolutely fulfilled its primary responsibility to protect the military and made every effort to take up its military missions. As the civil shipping market recovered, the Company took the opportunity to expand further the market for military and civil products with breakthroughs in both businesses. During the Reporting Period, the Group achieved operating orders of RMB32.524 billion, an increase of 248.3% year-on-year, and took orders for 17 types of new vessels totalling 85 ships. In terms of civil products, the Group continued to consolidate its leading position in the niche market and achieved bulk take-up of main building vessels such as feeder containers, heavy lift vessels and bulk carriers, and had satisfactory results in high technology and high value-added products such as public service vessels, scientific research vessels, wind power installation platforms and gas carriers. The three types of products developed by the Company on its own, including the 1900 TEU and 3000 TEU feeder containers and 85,000 DWT bulk carrier, gained market recognition, and the technology-driven approach has formed a strong support for business development.

(ii) Continuous improvement in development quality

The Group achieved operating income of RMB11,672 million and net profit attributable to shareholders of the listed company of RMB79 million, representing a year-on-year increase of RMB232 million after deducting non-recurring profit and loss. During the Reporting Period, the Group continued to focus on production efficiency, optimize production processes, improve construction techniques, strictly control the execution of major shipbuilding projects and shorten the construction cycle of major ship types, resulting in improved production capacity. As such, it completed in advance its mission for the full year and completed and delivered 35 ships and two sets of engineering offshore platform, a total of 944,300 DWT. Meanwhile, the Group strengthened its refined management and tackled the cost issue with efforts made in areas of design and technology, material procurement, production management and financial management to address the adverse impact of rising raw material prices, labour costs and foreign exchange fluctuations, thus improving the profitability of the Company's main business.

II. INDUSTRY IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD

The shipbuilding industry in which the Group operates is highly cyclical and is mainly subject to factors including the global economic and trading trend, cyclical fluctuation in the shipping market and international crude oil prices. During the Reporting Period, the shipbuilding industry has shown signs of recovery, different market segments especially the container ship market were very active with significant increases in project completion, order placement and orders on hand, and has led in market share internationally. The domestic shipbuilding industry is relatively concentrated and production utilization rate is on the rise.

The Group is a large-scale backbone shipbuilding enterprise under China State Shipbuilding Corporation Limited and a national core military production enterprise, its controlling subsidiary, Huangpu Wenchong, was founded in 1851, with a history of 170 years of factory building and more than 130 years of military industry, and its development history spans three centuries. It is the main construction base for military ships, special engineering ship and maritime engineering in China. It is also the largest and strongest production base for dredging engineering ships and feeder containerships in China.

SECTION III REPORT OF THE BOARD

III. BUSINESS ENGAGED IN BY THE COMPANY DURING THE REPORTING PERIOD

(i) Principal activities

COMEC is a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment being maritime defense equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. The Group's main products include defense equipment products including military ships, marine police equipment and public service ships, shipbuilding and marine products including feeder containerships, dredgers, offshore engineering platforms and wind power installation platforms, and marine application business products including energy equipment, high-end steel structures, construction machinery, environmental protection equipment and industrial internet platforms. During the Reporting Period, there was no material change in 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, and have built up a modern shipbuilding model highlighting general assembly process, refined management and information integration in the shipbuilding operation. 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.

(iii) Analysis of factors driving changes in business revenue

During the Reporting Period, the Group achieved operating income of RMB11.672 billion, representing a year-on-year increase of 0.54%, mainly due to the strengthening of the global shipping market and a rebound in the shipping market.

IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

- (i) Product advantages. The Group has the capability of regional general assembly shipbuilding mode and simultaneous construction of multiple vessel types, and it is in leading position in the technical indicators of military vessels, civil vessels and offshore engineering business in China, forming domestic and foreign characteristic products represented by marine police equipment, public service equipment, feeder containerships, dredging vessels, etc. The Group will continue to improve and optimize ship models and enhance product performance, while extending the production of advantageous products to form product series to better meet customer needs.
- (ii) Technological advantages. The Group has 11 science and technology innovation platforms at or above the provincial and ministerial level, such as national enterprise technology center, postdoctoral research station, national engineering laboratory for marine engineering R&D and design, Guangdong engineering technology research center, etc. It is one of the most powerful ship product development and design centers in South China and the first demonstration base of technological innovation for military-civilian combination in Guangdong Province, mastering and possessing independent intellectual property rights in high technology and high value-added products such as feeder containerships, public service ships, scientific exploration ships, wind power installation platforms, high value-added product and special vessels. Through continuous investment in research and development, the Group insists on independent innovation, tackles difficulties in cutting-edge technologies and focuses on strengthening the research and development of new green, energy-saving and environment-friendly ship types and high-tech and high value-added ship types.
- (iii) Brand advantages. In terms of military products, the Group is the most important production and support facility of military ships in South China of the Chinese Navy, and an important public service ship manufacturer in the PRC; in terms of civil products, the Group enjoys great reputation and occupies a leading position in terms of multi-purpose deep water survey ships, feeder containerships and dredging vessels; in terms of application industries, the Group has a good reputation in the industry and has undertaken the construction of steel structures for major projects such as the Shenzhen-Zhongshan Bridge and the Hong Kong-Zhuhai-Macao Bridge, and successfully exported offshore wind power equipments to overseas markets.
- (iv) Market advantages. 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, marine police ship series and new generation of large ocean rescue ships.

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

V. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the Group completed and delivered 35 ships and two sets of engineering offshore platform, a total of 944,300 DWT, and realized operating income of RMB11.672 billion, representing a year-on-year increase of 0.54%. The total profit was RMB115 million, representing a year-on-year decrease of RMB3.537 billion or a decrease by 96.85%. Net profit attributable to the shareholders of the Company was RMB79 million, representing a year-on-year decrease of RMB3.583 billion.

(i) Analysis of principal business

1. Table of analysis of changes in relevant items in income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Current year	Last year	Percentage of change (%)
Operating income	11,671,593,523.47	11,608,460,726.70	0.54
Operating cost	10,477,171,518.32	10,854,785,939.26	-3.48
Selling expenses	131,968,833.27	14,080,756.77	837.23
Administrative expenses	483,915,651.95	512,913,683.78	-5.65
Finance expenses	-40,736,162.84	23,823,023.38	-270.99
R & D expenses	617,470,169.63	590,364,430.98	4.59
Net cash flows from operating activities	4,365,184,193.57	-1,024,407,420.97	Not applicable
Net cash flows from investing activities	-3,381,941,892.10	-3,470,704,961.41	Not applicable
Net cash flows from financing activities	-1,265,815,567.34	-456,510,546.73	Not applicable

Description :

Explanation of the reasons for the change in operating income:	Remained stable, basically the same as last year.
Explanation of the reasons for the change in operating cost:	Remained stable, basically the same as last year.
Explanation of the reasons for the change in selling expenses:	Mainly due to the impact of repair and maintenance charges as more vessels were completed in the Reporting Period.
Explanation of the reasons for the change in administrative expenses:	Mainly due to figures of last year had included the January-February figures of GSI.
Explanation of the reasons for the change in finance expenses:	Mainly affected by decrease in net foreign exchange losses arising from changes in exchange rates during the Reporting Period.
Explanation of the reasons for the change in R & D expenses:	Mainly affected by increased research and development investment during the Reporting Period.
Explanation of the reasons for the change in net cash flows from operating activities:	Mainly affected by higher ship progress payments received in the Reporting Period.
Explanation of the reasons for the change in net cash flows from investing activities:	Mainly due to the reclassification of GSI's cash flow balance of RMB4.188 billion at the end of February 2020 to "payment of cash related to other investment activities" and the comprehensive impact of handling more wealth management products during the Reporting Period.
Explanation of the reasons for the change in net cash flows from financing activities:	Mainly due to the combined effect of a decrease in net funding received in the Reporting Period as compared to the previous year and dividend payment for the current period.

SECTION III REPORT OF THE BOARD

Detailed explanation of major changes in main business types of the Company, structure or sources of Company's profits for the Reporting Period

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change (%)	Reason for change
Other income	109,508,808.13	192,630,357.95	-83,121,549.82	-43.15	The first set of insurance subsidies and research grants decreased during current period
Investment income	40,205,723.66	3,857,610,727.86	-3,817,405,004.20	-98.96	Effect of disposal of equity interests in GSI and Chengxi Yangzhou last year
Gains from changes of fair value	101,349,211.43	212,427,890.50	-111,078,679.07	-52.29	Effect of changes in fair value of foreign exchange contracts held due to changes in exchange rates
Loss on impairment of credit (loss expressed with "-")	-36,905,728.89	48,236,347.81	-85,142,076.70	-176.51	Provision for bad debts increased during the period
Loss on impairment of asset (loss expressed with "-")	-99,044,532.95	-277,340,070.94	178,295,537.99	Not applicable	Provision for impairment of contract performance costs decreased during current period
Gain on disposal of assets	5,363,414.13	-12,675,578.87	18,038,993.00	Not applicable	Gain on disposal of fixed assets increased
Non-operating income	18,758,139.54	47,747,243.30	-28,989,103.76	-60.71	Contractual liquidated damages income decreased during current period
Non-operating expenses	7,767,943.26	4,130,749.57	3,637,193.69	88.05	Net loss of equipment at risk increased
Income tax expenses	10,959,588.14	24,867,464.58	-13,907,876.44	-55.93	Deferred income tax expense decreased during current period

2. Analysis of income and cost

During the Reporting Period, the Group's operating income is mainly derived from shipbuilding products, offshore engineering products, steel structure engineering, ship maintenance and modification, electromechanical products and others. For details of the specific policies and methods for income recognition, please refer to the notes to financial statements.

(1) Information on principal business by industry, product, region and sales model

Unit: Yuan Currency: RMB

By Industry	Principal business by industry					Increase/decrease in gross profit margin over last year (%)
	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	
Shipbuilding industry	11,453,902,217.84	10,366,642,431.75	9.49	0.50	-3.63	Increase of 3.88 percentage points

SECTION III REPORT OF THE BOARD

Principal business by product

By product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
(I) Shipbuilding products	9,192,161,750.22	8,344,771,756.77	9.22	-2.83	-8.46	Increase of 5.59 percentage points
1. Bulk carriers	182,491,521.30	130,309,356.51	28.59	-81.43	-85.51	Increase of 20.15 percentage points
2. Oil tankers	-	-	-	-100.00	-100.00	Increase of 29.28 percentage points
3. Container ships	2,053,096,594.81	1,863,323,558.88	9.24	-16.65	-30.61	Increase of 18.26 percentage points
4. Special ships and others	6,956,573,634.11	6,351,138,841.38	8.70	20.59	21.80	Decrease of 0.91 percentage points
(II) Offshore engineering products	355,974,410.42	353,515,715.23	0.69	Not applicable	Not applicable	Not applicable
(III) Steel structure engineering	1,637,312,924.50	1,462,482,685.05	10.68	0.89	-0.08	Increase of 0.86 percentage points
(IV) Maintenance and modification on ships	123,761,391.82	114,017,465.52	7.87	-72.45	-68.87	Decrease of 10.59 percentage points
(V) Electro-mechanical products and others	144,691,740.88	91,854,809.18	36.52	-8.47	-10.77	Increase of 1.63 percentage points

Principal business by region

By region	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
China (including Hong Kong, Macau and Taiwan)	11,093,245,088.12	10,053,212,631.75	9.38	32.75	36.87	Decrease of 2.73 percentage points
Other regions in Asia	52,384,684.37	36,745,705.22	29.85	-96.46	-97.74	Increase of 39.57 percentage points
Europe	28,339,649.43	21,974,484.65	22.46	-95.61	-97.18	Increase of 43.33 percentage points
Oceania	-	-	Not applicable	-100.00	-100.00	Not applicable
North America	272,839,049.12	241,929,531.31	11.33	Not applicable	Not applicable	Not applicable
Africa	7,093,746.80	12,780,078.82	-80.16	-98.55	-97.76	Decrease of 63.58 percentage points

Principal business by sales model

Sales model	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Direct sales	11,453,902,217.84	10,366,642,431.75	9.49	0.50	-3.63	3.88

Note: The above table of "Principal business by region" is categorised based on the final region where the products are to be sold.

SECTION III REPORT OF THE BOARD

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

During the Reporting Period, the Group's income from its principal business amounted to RMB11.454 billion, representing a year-on-year increase of 0.50%, basically the same as last year. The gross profit of principal business amounted to RMB1.087 billion, and gross profit margin was 9.49%, representing a year-on-year increase of 3.88 percentage points.

As for the structure of products, the proportion of income from each business segment was basically the same as that for the previous year and remained stable, among which: during the Reporting Period, income from shipbuilding business accounted for 83.36%, income from steel structure engineering business accounted for 14.29%, and income from maintenance and modification on ships accounted for 1.08% and income from electro-mechanical products and other business accounted for 1.26%.

(1) Shipbuilding business

Income from the shipbuilding business was RMB9.192 billion, a year-on-year decrease of 2.83%, and gross profit margin was 9.22%, a year-on-year increase of 5.59 percentage points. The main reason for the decrease in income was that income for the previous year included the data of GSI from January to February.

(2) Offshore engineering business

Income from the offshore engineering business was RMB356 million, and the income increased from negative to positive by RMB648 million year-on-year, mainly because the Huangpu Wenchong residential platform product project planned to change the main body of the operating contract last year, and adjusted to the point-in-time method to recognize income.

(3) Steel structure engineering business

Income from steel structure engineering business was RMB1.637 billion, a year-on-year increase of 0.89%, and the gross profit margin was 10.68%, a year-on-year increase of 0.86 percentage point, which was basically the same as the previous year.

(4) Maintenance and modification on ships

Income from the maintenance and modification on ships business was RMB124 million, a year-on-year decrease of 72.45%, and gross profit margin was 7.87%, a year-on-year decrease of 10.59 percentage points. The decrease in income was mainly due to the significant decrease in the number of completed ship repairs during the Reporting Period compared with the previous year, and the decrease in gross profit margin was mainly due to the adjustment of product structure and increase in cost of products.

(5) Electro-mechanical products and other business

Income from electro-mechanical products and other business was RMB145 million, a year-on-year decrease of 8.47%, and gross profit margin was 36.52%, a year-on-year increase of 1.63 percentage points.

By geographic region, during the Reporting Period, operating income from sales to the China market (including Hong Kong, Macau and Taiwan) increased by 32.75% year-on-year, and the operating income from sales to foreign markets decreased by 88.14% year-on-year. Of which, sales to other regions in Asia, Europe, Oceania and Africa recorded decreases of 96.46%, 95.61%, 100% and 98.55% respectively, mainly because of geographical differences of customers in which the Company had orders on hand. The gross profit margin of products to China (including Hong Kong, Macau and Taiwan) decreased by 2.73 percentage year-on-year to 9.38%, mainly due to a fall in gross profit margin of special ships and other types of ships. The gross profit margin of products to other regions except China increased by 25.31 percentage points, mainly due to the combined impact of product structure adjustment and exchange rate fluctuations. The Group will leverage on its own advantages, act proactively and resolutely fulfill the primary responsibility of strengthening the military, closely follow up orders for military products, strengthen the management of civil products, and make every effort to develop the domestic and foreign markets.

SECTION III REPORT OF THE BOARD

(2) *Analysis of production and sales volume*

Principal product	Unit	Production volume	Sales volume	Inventory volume	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory volume over last year (%)
Shipbuilding products	Ten thousand DWT	94.43	94.43	0	-7.69	-7.69	/
Steel structure engineering	Ten thousand tons	13.70	13.70	0	6.70	6.70	/

Description of production and sales volume

During the Reporting Period, the completed tonnage of shipbuilding products reduced slightly, which was mainly due to the increase in small feeder containerhips with fewer tonnage, such as 1080TEU and 1400TEU containerhips, in the completed products in 2021. The completed tonnage of steel structures recorded a slightly increase year-on-year, mainly due to the delivery of seven pipe sections of Shenzhen-Zhongshan Bridge in 2021, two more than that in 2020.

(3) *Performance of sales contracts of significance signed*

Unit: US dollar in ten thousand

Subjects of the contract	Counterparty	Total contractual amount	Total performed amount	Performed amount in the Reporting Period	Outstanding amount	Properly performed	Description of improper performance
24 containership building contracts, including 2 1900TEU, 11 2300TEU and 11 3000TEU	EVERGREEN MARINE (ASIA) PET. LTD	104,342	20,668	20,668	83,674	Yes	/

(4) *Cost analysis*

Unit: RMB'0000

By industry	Cost composition	Amount for current period	By industry				Description
			Proportion of total cost this year (%)	Amount for the corresponding period of last year	Proportion of total cost during the corresponding period of last year (%)	Change in amount for current period compared with that of last year (%)	
Shipbuilding Industry	Direct materials	764,220.68	73.72	757,410.20	70.41	0.90	
	Processing costs	299,218.33	28.86	334,969.03	31.14	-10.67	
	Impairment loss	-26,774.77	-2.58	-16,632.15	-1.55	60.98	

SECTION III REPORT OF THE BOARD

By product	Cost composition	Amount for current period	By product		Proportion of total cost during the corresponding period of last year (%)	Change in amount for current period compared with that of last year (%)	Description
			Proportion of total cost this year (%)	Amount for the corresponding period of last year			
Shipbuilding products	Direct materials	643,393.06	62.07	676,048.53	62.85	-4.83	
	Processing costs	191,967.34	18.52	251,346.59	23.36	-23.62	
	Impairment loss	-883.22	-0.09	-15,802.14	-1.47	Not applicable	Note 1
Offshore engineering products	Direct materials	43,666.56	4.21	-20,167.54	-1.87	Not applicable	Note 2
	Processing costs	17,569.04	1.69	-8,155.27	-0.76	Not applicable	Note 2
	Impairment loss	-25,884.03	-2.50	-809.50	-0.08	Not applicable	Note 1
Steel structure engineering	Direct materials	73,256.12	7.07	88,241.19	8.20	-16.98	Note 3
	Processing costs	72,992.15	7.04	58,120.39	5.40	25.59	Note 3
	Impairment loss	0.00	0.00	0.00	0.00		
Maintenance and modification on ships	Direct materials	1,848.08	0.18	7,603.23	0.71	-75.69	Note 4
	Processing costs	9,553.66	0.92	29,027.61	2.70	-67.09	Note 4
	Impairment loss	0.00	0.00	0.00	0.00		
Electro-mechanical products and others	Direct materials	2,056.86	0.20	5,684.79	0.53	-63.82	Note 5
	Processing costs	7,136.14	0.69	4,629.71	0.43	54.14	Note 5
	Impairment loss	-7.52	0.00	-20.51	0.00	Not applicable	
Total		1,036,664.24	100.00	1,075,747.08	100.00	-3.63	

Note 1: The item "impairment loss" was negative, mainly because when the long-term shipbuilding contract that fulfilled the performance obligation within a certain period of time reached the gross profit recognition condition and started to recognize the gross profit, the asset impairment already provided for according to the progress was written off, writing down the main business costs. During the Reporting Period, the impairment provision for products under construction was RMB268 million, an increase of RMB102 million year on-year, mainly because the loss-making shipbuilding contracts under construction that met the conditions for gross profit recognition during the Reporting Period had already been provided for and the impact of the increase in the progress of contract performance in the current period.

Note 2: During the Reporting Period, the direct material costs and processing costs of the offshore engineering product segment changed from negative to positive, mainly because the offshore engineering business platform project planned to change the main body of the operating contract in the same period of last year, and the income and cost recognized in the previous period was reversed for the current period.

Note 3: During the Reporting Period, the direct materials of the steel structure engineering business segment amounted to RMB733 million, a year-on-year decrease of 16.98%, and the processing cost was RMB730 million, a year-on-year increase of 25.59%, mainly due to the fact that most of the materials for steel structure projects was incurred in the early stage of the project (corresponding period of last year), and most of the processing work was performed in the later period (the current year).

Note 4: During the Reporting Period, the maintenance and modification on ships business segment incurred RMB18 million in direct materials, a year-on-year decrease of 75.69%, and processing costs amounted to RMB96 million, a year-on-year decrease of 67.09%, mainly due to the impact of decrease in the business income and completion volume of this segment during the Reporting Period.

Note 5: During the Reporting Period, the costs of direct materials for mechanical and electrical products and other business segment were RMB21 million, a year-on-year decrease of 63.82%, and the processing cost was RMB71 million, a year-on-year increase of 54.14%, mainly due to the effect that during the Reporting Period the majority of material receipts for this segment of the business occurred in the early part of the project (same period in the previous year) and the majority of processing occurred in the later part of the year (current year).

SECTION III REPORT OF THE BOARD

(5) Information on major customers and major suppliers

A. Information on major customers

Sales to five largest customers amounted to RMB7,556.2655 million, representing 65.97% of total annual sales, of which sales to related parties were RMB0, representing 0% of total annual sales.

Sales to individual customers accounted for over 50% of total sales, top five customers include new customers or concentration on a few customers during the reporting Period

Unit: Yuan Currency: RMB

No.	Customer	Sales amount	Percentage to annual total sales amount (%)
1	Customer 3	688,495,575.22	6.01
2	Customer 5	344,996,876.76	3.01

Explanation: The above table shows the new customers among the top 5 customers for the Reporting Period. During the Reporting Period, the Group did not have any sales to a single customer that exceeded 50% of the total and was heavily dependent on a small number of customers.

B. Information on major suppliers

Procurement from five largest suppliers amounted to RMB5,780.1561 million, representing 55.75% of total annual procurement cost, of which procurement from related parties was RMB5,349.4068 million, representing 51.60% of total annual procurement cost.

Purchase from individual suppliers accounted for over 50% of total purchase, top five suppliers include new suppliers or concentration on a few suppliers during the reporting Period

Unit: Yuan Currency: RMB

No.	Supplier	Purchase amount	Percentage to annual total purchase amount (%)
1	Supplier 1	5,349,406,806.22	51.60

The table above shows the percentage of purchases from a single supplier that exceeded 50% of the total for the reporting period. During the reporting period, there were no new suppliers or significant reliance on a small number of suppliers among the Group's top 5 suppliers.

3. Expenses

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change	Change (%)
Selling expenses	131,968,833.27	14,080,756.77	117,888,076.50	837.23
Administrative expenses	483,915,651.95	512,913,683.78	-28,998,031.83	-5.65
Research and development expenses	617,470,169.63	590,364,430.98	27,105,738.65	4.59
Finance cost	-40,736,162.84	23,823,023.38	-64,559,186.22	-270.99

Description: During the Reporting Period, the total expenses of the Group amounted to RMB1,193 million, representing a year-on-year increase of 4.51%, details of which are as follows:

- (1) Selling expenses amounted to RMB132 million, representing a year-on-year increase of 837.23%, mainly due to the impact of the warranty charges accrued resulted from the increase in completed ships;
- (2) Administrative expenses amounted to RMB484 million, representing a year-on-year decrease of 5.65%, mainly due to the impact of the amount for the last year which consolidated the data of GSI from January to February;
- (3) Research and development expenses amounted to RMB617 million, representing a year-on-year increase of 4.59%, mainly due to the impact of the increase in R&D effort during the Reporting Period;
- (4) Finance costs amounted to RMB-41 million, representing a year-on-year decrease of 270.99%, mainly due to the impact of less net foreign exchange losses resulted from the change in exchange rate during the Reporting Period.

SECTION III REPORT OF THE BOARD

4. Research and development expenses

(1) Breakdown of research and development expenses

	Unit: Yuan	Currency: RMB
Research and development expenses recorded as expenses during the period	617,470,169.63	
Capitalised research and development expenses for the current period	0	
Total research and development expenses	617,470,169.63	
Percentage of total research and development expenses over operating income (%)	5.29%	
Percentage of capitalised research and development expenses (%)	0	

(2) Information of research and development staff

Number of research and development staff of the Company	1,264
Number of research and development staff over total number of staff (%)	16.4%

Education background of research and development staff

Education background	Number of R&D staff
PhD candidate	8
Postgraduate	99
Undergraduate	1,067
Specialties	88
High school and below	2

Age structure of research and development staff

Age category	Number of R&D staff
Under 30 years old (excluding 30 years old)	175
30-40 years old (including 30 years old but excluding 40 years old)	698
40-50 years old (including 40 years old but excluding 50 years old)	289
50-60 years old (including 50 years old but excluding 60 years old)	101
60 years old and above	1

(3) Explanation:

In 2021, the Group continued to build up its innovation capability, established and improved a new technological innovation system with emphasis on research and development, continuously optimized the institutionalised management of innovation investment and continued to improve the structure of innovation talents, which strongly supported the implementation of the Group's high quality development strategy. The Group developed a number of industry benchmark products such as the 10,000-ton marine patrol vessel, the 9,500-ton multi-purpose gas carrier and the world's largest train roll-on/roll-off vessel in this year. During the Reporting Period, the Group applied for 493 patents, including 390 patents for invention, and was granted 381 patents, including 166 patents for invention.

5. Cash Flows

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change	Change (%)
Net cash flows from operating activities	4,365,184,193.57	-1,024,407,420.97	5,389,591,614.54	Not applicable
Net cash flows from investing activities	-3,381,941,892.10	-3,470,704,961.41	88,763,069.31	Not applicable
Net cash flows from financing activities	-1,265,815,567.34	-456,510,546.73	-809,305,020.61	Not applicable

Description:

- (1) Net cash flows from operating activities was RMB4,365 million, an increase of RMB5,390 million year-on-year, mainly due to impact of the increase in vessel progress payment received during the Reporting Period;
- (2) Net cash flows from investing activities was RMB-3,382 million, an increase of RMB89 million year-on-year, mainly due to the combined impact of the cash balance of GSI at the end of February 2020 amounting to RMB4.188 billion was reclassified to "Other cash payments relating to investing activities" in the last year, and the increase in financial products during the Reporting Period;

SECTION III REPORT OF THE BOARD

(3) Net cash flows from financing activities was RMB-1,266 million, a decrease of RMB809 million year-on-year, mainly due to the combined impacts of the year-on-year decrease in net financing during the Reporting Period and the dividends in the current period.

(II) ANALYTICAL STATEMENT OF ASSETS AND LIABILITIES

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount at the end of current year	Proportion of total assets at the end of current year (%)	Amount at the end of last year	Proportion of total assets at the end of last year (%)	Change in amount at the end of current year compared with that at the end of last year (%)	Description
Financial assets held-for trading	3,281,028,607.57	7.41	1,055,191,244.71	2.71	210.94	There were more new wealth management products in current period
Notes receivable	82,331,260.05	0.19	161,625,007.63	0.42	-49.06	The effect of bill settlement and reclassification at maturity in current period
Financing of receivables	192,855,840.34	0.44	-	-	Not applicable	Reclassification of notes receivable in current period
Prepayments	2,149,658,651.91	4.86	1,218,386,548.91	3.13	76.43	Increase in prepaid materials and equipment
Contract assets	2,542,443,559.33	5.74	4,445,388,926.29	11.42	-42.81	Progress of contract performance of shipbuilding products performing obligations within a certain period of time exceeded the progress of contract settlement
Other current assets	177,819,458.91	0.40	577,884,115.75	1.48	-69.23	Reduction in value-added tax allowance in current period
Investments in other equity instruments	5,480,001,529.79	12.38	3,923,780,494.34	10.08	39.66	The effect of share price of China Shipbuilding rose sharply in current period
Construction in progress	229,186,214.27	0.52	348,779,440.60	0.90	-34.29	Multiple transfers from construction in progress to fixed assets in current period
Right-of-use assets	189,367,500.07	0.43	116,000,602.24	0.30	63.25	New housing rentals increased in current period
Long-term deferred expenses	51,236,644.02	0.12	21,210,225.34	0.05	141.57	Increase in new rental properties upgrade in current period
Other non-current assets	728,064,530.20	1.64	389,850,209.29	1.00	86.75	Increase in relocation expenses pending write-off and addition of hedging instruments
Advances from customers	-	-	7,855,200.00	0.02	-100.00	Carry-forward of income from period-end lease advance receipts in current period
Contract liabilities	9,348,839,525.55	21.12	5,172,239,729.14	13.28	80.75	Advance payment for ship progress increased in current period
Employee benefits payable	361,255.50	0.00	851,463.48	0.00	-57.57	The actual usage of trade union and education expenses increased in current period
Taxes payable	35,046,259.47	0.08	26,054,822.85	0.07	34.51	Increase in personal tax and stamp duty payable in current period
Non-current liabilities due within one year	951,219,195.92	2.15	2,884,252,298.08	7.41	-67.02	Due for payment of long-term borrowings due within 1 year
Other current liabilities	202,747,908.16	0.46	319,331,239.99	0.82	-36.51	Decrease in endorsed but outstanding bills payable
Long-term borrowings	3,189,417,299.77	7.21	2,117,721,642.34	5.44	50.61	New borrowing in current period
Lease liabilities	169,778,977.55	0.38	96,494,152.25	0.25	75.95	New housing rentals in current period
Deferred tax liabilities	664,220,819.92	1.50	281,517,181.48	0.72	135.94	Impact of the sharp rise in share price of China Shipbuilding in the current period
Other non-current liabilities	196,955,482.65	0.44	-	-	Not applicable	Newly added hedged items in the current Period
Other comprehensive income	1,863,752,512.56	4.21	699,020,433.90	1.80	166.62	Impact of the sharp rise in share price of China Shipbuilding in the current period

2. Overseas Assets

Overseas assets 722,229,545.46 (Unit: RMB yuan), accounted for 1.63% of total assets.

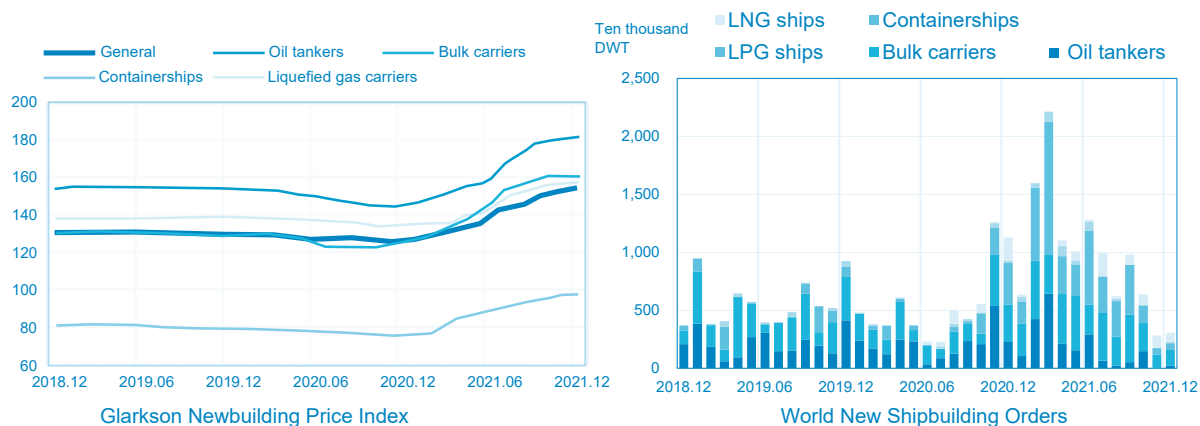
3. Major restricted assets at the end of the Reporting Period

As at the end of the Reporting Period, the Group had term deposits with maturity of over 3 months, monetary funds with restricted right-of-use such as letters of guarantees/letters of credits/deposit for forward exchange contracts amounting to RMB4,143,341,806.60 in total. Such restrictions will be lifted after the relevant contracts have been fulfilled. Please refer to the notes to the financial statements for details of the use of restricted cash.

SECTION III REPORT OF THE BOARD

(iii) Analysis of industry operation

1. The demand for new ships rebounded sharply. In 2021, the shipping market as a whole strengthened significantly as a result of the uneven recovery of the global economy combined with supply mismatches in the industry chain, and the new shipbuilding market demand has rebounded beyond expectations. On a global basis, orders were secured for 1,671 new ships for a total of 119.84 million DWT, an increase of 77.1% year-on-year in terms of DWT.
2. The price of new ships continued to rise. Since 2021, due to the rise in raw materials such as steel and ancillary equipment, coupled with a sharp rebound in the demand for new ships, the price of new ships has been on the rise since the beginning of the year. As of the end of December, the Clarkson New Ship Price Index closed at 154 points, up 28 points year-on-year. From the perspective of main ship types, the Clarkson New Ship Price Index for bulk carriers, oil tankers, container ships and liquefied gas carriers was 161 points, 182 points, 98 points and 158 points, up 38 points, 36 points, 23 points and 24 points respectively year-on-year.
3. Diverging trends were noted in transactions of the three major ship types. In 2021, stimulated by the continuous deterioration of the global supply chain, the container shipping market continued to hit record high, with orders signed for 548 new container ships for a total of 44.99 million DWT worldwide, a year-on-year increase of 326.9%; the bulk carrier market was also strong with orders for 440 new ships totalling 38.56 million DWT, a year-on-year increase of 61.9%; as for oil tankers, due to factors such as the slow recovery of global oil demand, decline in U.S. exports, and huge fluctuations in international oil prices, orders for new oil tankers above 10,000 tons amounted to 239 for a total of 23.13 million DWT, down 10.9% year-on-year.
4. The offshore engineering market has rebounded. After a sluggish market in 2020, the global offshore engineering equipment leasing market staged a moderate rebound in 2021, and the construction market also recovered. A total of 87 ships/sets of various types of marine engineering equipment have been traded worldwide with total value of US\$10.006 billion, a year-on-year increase of 73.50% in monetary terms.



Note: The above information and data are from China Association of the National Shipbuilding Industry.

SECTION III REPORT OF THE BOARD

(iv) Analysis of investments

General analysis of external equity investments

The Company is an investment holding company, and details of its external investments are set out in the notes to the financial statements. As at the end of the Reporting Period, the balance of the Group's long-term equity investments was RMB4.953 billion, representing an increase of 0.29% from RMB4.938 billion as at the beginning of the year.

(1) *Financial assets measured at fair value*

During the Reporting Period, the Group's financial assets measured at fair value included financial assets held-for-trading and financial liabilities held-for-trading such as forward exchange contracts, foreign exchange swaps and foreign exchange option trading portfolio contracts, entrusted wealth management, structured deposits, receivable financing, as well as investments in other equity instruments. In particular, financial derivative operations such as forward foreign exchange contracts, foreign exchange swaps and foreign exchange option trading combinations are accounted for and reported through financial assets or financial liabilities held for trading if they meet the criteria for hedging, or through financial assets or liabilities held for trading if they do not meet the criteria for hedging. At measurement date, the public quotations from 3 banks before adjustment were obtained. According to prudence principle, one quotation is chosen to be input value. The loan interest rate published by the PBOC is chosen to be discount rate (please refer to the notes to the financial statements for details); for entrusted wealth management and structured deposits, they were measured according to the fair value at end of period as provided by the entrusted financial institutions; and for receivable financing, measurement was made on the present value of cash flow expected to receive. For investments in other equity instruments, the shares held in listed companies were measured at their closing market prices, and those without public market quotations were measured using valuation techniques. The breakdown of items measured at fair value during the Reporting Period is as follows:

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the current period
Financial assets held-for-trading	1,055,191,244.71	3,281,028,607.57	2,225,837,362.86	119,714,954.46
Hedging instruments	-	196,955,482.65	196,955,482.65	-
Hedged items	-	-196,955,482.65	-196,955,482.65	-
Receivable financing	-	192,855,840.34	192,855,840.34	-
Investments in other equity instruments	3,923,780,494.34	5,480,001,529.79	1,556,221,035.45	9,408,064.73
Total	4,978,971,739.05	8,953,885,977.70	3,974,914,238.65	129,123,019.19

SECTION III REPORT OF THE BOARD

Explanation:

- (1) The Group attaches importance to the study of exchange rate risk management policies and strategies. In order to guard against exchange rate risks, the Group entered into forward foreign exchange contracts, foreign exchange swaps and foreign exchange option trading portfolio contracts with banks. As at the end of the Reporting Period, the Group had 122 outstanding USD forward exchange contracts amounting to US\$1,291.77 million with a maximum settlement period to 25 October 2026; one outstanding swap contract amounting to US\$40 million with a settlement period to 8 June 2022; and 69 outstanding option packages amounting to US\$253.45 million with a maximum settlement period to 23 December 2024. The total number of outstanding option groups is 69, amounting to US\$253.450 million, with settlement periods up to 23 December 2024. Gains and losses from fair value changes and investment income recognised on these financial assets totalled RMB90.9032 million for the Reporting Period.
- (2) At the end of the Reporting Period, the fair value of financial assets held for trading, such as entrusted wealth management and shares, amounted to RMB3,102.5243 million at the end of the Reporting Period, and a gain or loss on fair value changes and investment income totalling RMB28.8118 million was recognised for the Reporting Period.
- (3) At the end of the Reporting Period, the closing fair value of receivable financing was RMB192.8558 million and the total gain or loss on change in fair value and investment income recognised for the Reporting Period was RMB0.
- (4) At the end of the Reporting Period, the closing fair value of investments in other equity instruments was RMB5,480.0015 million and dividend income of RMB9.4081 million was recognised in the Reporting Period.

At the end of the Reporting Period, the Group held financial assets measured at fair value of RMB8,953.8860 million, and their impact on profit for the current period amounted to RMB129.123 million during the Reporting Period.

SECTION III REPORT OF THE BOARD

(v) Analysis of major subsidiaries and associates

1. Analysis of direct subsidiaries and associates

Unit: RMB0'000

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the current period
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	361,918	54.5371	2,854,507.89	665,681.57	-7,085.23
Guangzhou Shipyard International Company Limited	Metal shipbuilding; ship design; professional design services; shipbuilding; fabrication of metal structures; etc.	887,014	46.3018	2,897,344.86	715,704.22	2,553.45
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	142,017.84	100	516,023.94	221,620.28	5,354.45
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	217,527.77	-20,113.69	6,190.56
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	21,000	100	201,548.86	27,265.87	2,522.38
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	60	690.23	667.03	103.44
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	894.17	720.61	40.31
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	2,911.72	521.52	75.93
Wah Loong International Marine Limited	Ship leasing	HK\$1 million	99	58,506.86	4,862.62	89.89
Wah Shun International Marine Limited	Ship leasing	HK\$1 million	99	13,716.09	582.26	37.08
CSSC Industrial Internet Co., Ltd.	Information transmission, software and information technology services	5,000	100	3,190.55	1,550.45	310.43
Huacheng (Tianjin) Ship Leasing Co., Ltd.	Ship leasing	5	100	88,876.57	-685.08	-690.08
Huaxin (Tianjin) Ship Leasing Co., Ltd.	Ship leasing	5	100	5.19	5.16	0.16
CSSC (Guangzhou) New Energy Co., Ltd.	Production and supply of fuel gas	1,800	61.88	139.6	130.45	-15.03
Wah Cheung International Marine Limited	Ship leasing	HK\$10,000	100	/	/	/
Wah Sheng International Marine Limited	Ship leasing	HK\$10,000	100	/	/	/
Wah Yu International Marine Limited	Ship leasing	HK\$10,000	100	/	/	/
Wah Shui International Marine Limited	Ship leasing	HK\$10,000	100	/	/	/
Wah Hing International Marine Limited	Ship leasing	HK\$10,000	100	/	/	/

Explanation:

Wah Cheung International Marine Limited, Wah Sheng International Marine Limited, Wah Yu International Marine Limited, Wah Shui International Marine Limited and Wah Hing International Marine Limited were established during the year. These five companies are in the start-up stage, as such no financial data are provided.

41% equity in Guangzhou Xinhang Human Resources Service Co., Ltd. was disposed of by the Company in the year as planned, as such it was changed from a subsidiary to an associate. Under the Company's reasonable operation and planning, there was no negative impact on the continued stability of the business operation and the management team. An investment gain of RMB465,400 was generated from the disposal of the equity.

SECTION III REPORT OF THE BOARD

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
CSSC Huangpu Wenchong Shipbuilding Company Limited	883,725.11	55,315.15	-7,085.23
Guangzhou Wenchong Shipyard Co., Ltd.	272,889.27	24,283.90	5,354.45
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	71,373.32	15,745.96	6,190.56
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	131,609.48	10,996.43	2,522.38
Guangzhou Shipyard International Company Limited	1,110,790.27	122,625.01	2,553.45

3. **Subsidiaries or associates with significant change in operating results which has material impact on the Company's consolidated results**

Unit: RMB0'000

Company	Net profit for the current period	Net profit for the same period last year	Change (%)
CSSC Huangpu Wenchong Shipbuilding Company Limited	-7,085.23	11,660.82	-160.76
Guangzhou Wenchong Shipyard Co., Ltd.	5,354.45	-10,151.31	N/A
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	6,190.56	-6,990.52	N/A

Description of changes in net profit:

Huangpu Wenchong recorded a loss of RMB71 million mainly due to the adjustment to product structure. The gross profit margin of certain products delivered in the current period, the income of which was recognised at a point of time, was relatively low and insufficient to cover the expenses in the period.

Wenchong Shipyard and Huangchuan Ocean Engineering recorded a turnaround as compared to 2020, which was mainly due to the impact of enhanced cost control, reduced cost and improved efficiency.

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

(i) INDUSTRY LANDSCAPE AND TRENDS

In 2021, with the joint efforts of various countries to prevent and control the pandemic, the global resumption of work and production were restored to a certain extent, the world economic development rebounded from the sluggish situation in 2020, and the situation of the international maritime market improved significantly. Looking forward to 2022, the growth rate of global economic and trade activities may slow down, the demand for new shipbuilding orders will be adjusted downward moderately, and orders for offshore engineering equipment will continue to improve steadily under the impact of high oil prices.

1. Market demand

The international new building market will remain relatively active on the whole. In 2022, the world economy will gradually resume the trend pattern, and the growth rate of international seaborne trade will slow down to a certain extent, but the confidence of the industry has been significantly boosted, and the demand for new ship orders from shipowners will not shrink significantly. In addition, the coming into force of new environmental protection regulations and the demand for decarbonization will bring along market opportunities, it is expected that in 2022, the global transaction volume of new civilian ships will be slightly reduced to about 90 million DWT, with total value of US\$85 billion.

The offshore engineering equipment market will continue its upward trend. As the international crude oil price remains high, the profitability of upstream oil and gas companies is being restored, which is driving a rebound in investment spending on offshore oil and gas projects. It is estimated that in 2022, with the support of floating production platforms and offshore wind power related equipment, the total global demand for new construction of offshore engineering equipment is expected to continue to rise to US\$12 billion, up 20% from 2021.

2. Price Trend

Newbuilding prices continued to be strong. At present, the orders on hand of the world's leading shipyards have already occupied the production resources in the next two to three years, and the shipyards have more options for order selection. Pressure on costs of raw materials and ancillary equipment will not come down significantly, giving support to new shipbuilding prices. Green technology to meet new stricter environmental regulations will also be an important factor supporting newbuilding prices.

The new price of offshore engineering equipment is hovering at low level. As the overall construction demand for offshore engineering equipment has not rebounded sharply, the competition among major offshore engineering equipment construction companies is fierce, especially the return of Korean companies to the FPSO hull construction market in 2021, which has aggravated Chinese and Korean companies in this field to a certain extent. Therefore, it is difficult for the construction price of offshore engineering equipment to increase significantly as a whole. However, from the perspective of individual ship types, under the effect of the continued increase in demand for upstream construction operations, the new construction price of offshore wind power installation ships may remain high.

3. Competitive Situation

In China, focus will be on new energy, improving the supply chain and supporting industrial chain, which will enhance shipbuilding capabilities and promote the transformation of the shipbuilding industry to green and intelligent, and to high technology and high added value. South Korea, with its strong technical advantages and high construction efficiency, is expected to continue to dominate the market of high-end products such as LNG ships and VLCCs in the short term, but high-end products such as ultra-large container ships and VLGCs are facing the catch-up from China and Japan. In Japan, promotion of industrial integration and cooperation will continue, enhancing the overall competitiveness of the shipbuilding industry through economy of scale. Some shipbuilding companies may conduct in-depth cooperation through the establishment of alliances to achieve resource sharing and complementary advantages.

Remarks: The above information and data are sourced from China Shipbuilding Corporation Economic Research Center.

SECTION III REPORT OF THE BOARD

(ii) THE COMPANY'S DEVELOPMENT STRATEGY

The Group has established the strategic goal of becoming a leading international integrated marine business developer, and is committed to building high-quality marine equipment, to strengthen the military and serving the nation, by focusing on the marine industry and developing harmoniously to become a world-class listed marine equipment company with integrated research and development, manufacturing and services.

Facing the new normal of the development of the shipbuilding market, the Group adheres to the enterprise spirit of "innovation, efficiency, cooperation and win-win", follows the development concept of "devoting to both manufacturing and service", and actively builds up three major industrial layouts of "marine defense equipment industry", "ship and offshore engineering equipment industry" and "marine science and technology innovation and application industry", fully aligns with major strategies such as "Belt and Road", military-civilian integration development for the building of a strong manufacturing country and a strong maritime country, focusing on "optimizing structure, deepening reform, and innovative development", promoting the expansion and extension of the traditional manufacturing industry in a direction towards higher value, so as to strengthen and optimize its main business, vigorously expand emerging industries, accelerate the Company's transformation and upgrading, and achieve high-quality development.

(iii) BUSINESS PLAN

In 2021, the Company recorded an operating income of RMB11.672 billion, completed 104.21% of the annual target; and secured orders with contract value of RMB32.524 billion, which was 284.27% of the annual target.

In 2022, the Company plans to realize operating income of RMB11.7 billion and to secure orders with contract value of RMB11.46 billion. The Company will actively adapt to new market trend and strengthen principal business operation; improve productivity and cost control; make more efforts on research and development of products to enhance the leading power of innovation, in order to achieve the 2022 business plan.

(iv) POTENTIAL RISKS

1. Financial risks

- (1) Exchange rate risk: The Group's exchange rate risk arises from the possibility of the increase or decrease in the value of assets (or creditor's rights) and liabilities (or debts) denominated in foreign currencies due to exchange rate fluctuations. It is mainly concentrated on export shipbuilding orders denominated in United States dollars. The Group will continue to adhere to the aim of risk prevention. Based on the exchange rates at the time of the undertaking of orders by it, the Group will strengthen the analysis of exchange rate trend and formulate exchange rate risk prevention plans by using financial tools such as forward exchange contracts and options to protect against exchange rate risk..
- (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 and operating 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**

Due to the persistent downturn in the shipping market and offshore market and the impact of the COVID-19 pandemic this year, 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 will subject the Company's orders on hand to default risk. The Group will further strengthen the management of contract performance, enhance the creditworthiness investigation of ship owners and project process management, increase ship owners' default cost and strengthen the early warning and monitoring of contractual performance and promote the delivery of orders on hand.

3. **Cost risk**

Given the Group's order-based production and long construction cycle, and that the prices of domestic steel and other materials are expected to remain high in 2022, which, coupled with the increase in labour costs, will lead to a passive increase in the costs of the Company's products under construction and make it more difficult to control and reduce costs, which will have a certain impact on the Company's operating results. The Group will continue to improve efficiency and reduce costs across the entire industrial chain and optimise the product structure by promoting the mass production of main construction products and increasing the proportion of high value-added products to minimise the impact of cost fluctuations on the Company.

VII. OTHERS

1. **Management contracts**

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2021.

2. **Environmental policies and performance**

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

3. **Compliance with laws and regulations**

To the best knowledge of the Board and management of the Company, the Company has complied in all material respects with the relevant laws and regulations which principally affect the business and operations of the Company. During the year, there was no material breach or non-compliance with applicable laws and regulations by the Company.

4. **Relationship with stakeholders**

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

5. **Others**

Other matters as required by the Hong Kong Companies Ordinance can be found in Section VI Significant Events. Such discussion forms part of this Report of the Board.

By order of the Board
Han Guangde
Chairman

SECTION IV CORPORATE GOVERNANCE

I. INFORMATION ON CORPORATE GOVERNANCE

(i) Corporate governance

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

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

Board of Directors

The Board comprises 11 directors, including 3 executive directors, 4 non-executive directors and 4 independent non-executive directors. Members of the Board have different industry backgrounds and expertise in corporate governance, finance and accounting, investment strategies, maritime engineering and equipment and legal affairs. Details of the members of the Board are set out in the section headed "Directors, supervisors and senior management officers" in this report.

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

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

In 2021, the Company held a total of 8 Board meetings, including 2 on-site meetings and 6 meetings held by communication equipment, issued 4 regular reports and 33 extraordinary announcements, conveyed related information to the market such as operational conditions, market conditions, important resolutions passed at meetings, significant personnel changes and connected transaction in a timely manner. All resolutions considered at the Board meetings during the year 2021 had been submitted to the party organisation and the general manager office meeting of the Company for consideration and decision-making before they were submitted to the Board for discussion, and the relevant opinions were carefully listened. No fault has been made in respect of the announcements disclosed in respect of resolutions considered and approved at the Board meetings during the year. The decision-making procedures and the relevant decisions are in compliance with the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Articles of Association and the requirements of applicable laws and regulations, and the resolutions passed are legal and valid.

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

SECTION IV CORPORATE GOVERNANCE

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

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

Directors

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

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

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organizations in relation to securities transactions by directors, supervisors and senior management. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for the securities trading of shares by the Company's directors. The Company has made specific inquiries of all directors and supervisors and they have confirmed that they have fully complied with the Model Code, and have not traded in the shares of the Company during the period before the publication of price-sensitive information such as periodic reports, announcements, profit warning, and other significant events announcements in 2021.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended 31 December 2021 in order to give a true and fair view of the Company and the Group's financial position and results of operations.

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

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

In addition, during the Reporting Period, there was a change in members of the Board of the Company, details of which are set out below. The Company has received annual confirmation of independence issued by Yu Shiyong, Lin Bin, Nie Wei and Li Zhijian, all independent non-executive directors, in accordance with Rule 3.13 of the Listing Rules, and consider them independent as at the date of this report. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Listing Rules.

SECTION IV CORPORATE GOVERNANCE

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

Name of Director	Annual appointment status
Han Guangde	Serving
Chen Zhongqian	Serving
Chen Liping	Serving
Xiang Huiming	Serving
Chen Ji	Serving
Ren Kaijiang	Appointed on 22 December 2021 as Non-executive Director
Gu Yuan	Serving
Yu Shiyou	Serving
Lin Bin	Serving
Nie Wei	Serving
Li Zhijian	Serving

(ii) Specialized committees under the Board

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

1. Audit Committee

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

In 2021, the Audit Committee of the Board of Directors held six meetings to hear the financial reports of the management, working group and accounting firm on the annual report for 2020, the financial reports for the first quarter of 2021, the first half-year of 2021, the third quarter of 2021, the financial position, the self-assessment report on internal control and related transactions, and made resolutions on these matters after thorough discussions. The resolutions were reported to the Board of Directors in a timely manner and all members of the Audit Committee attended the above meetings.

In addition, in accordance with the Implementation Rules for the Audit Committee, the Audit Committee communicated timely with the auditors, reviewed the financial statements of 2020 prepared by the Company before and after the auditors visits the Company and after the auditors have prepared their reports and formed a written opinion.

SECTION IV CORPORATE GOVERNANCE

2. **Nomination Committee**

The Nomination Committee is principally responsible for selecting the candidates for Directors and managers, determining selection criterion and procedures and making recommendations to the Board. As at the end of the Reporting Period, members of the Nomination Committee under the tenth session of the Board were Nie Wei (chairman), Li Zhijian, both independent non-executive Directors, and Gu Yuan, a non-executive Director.

In 2021, the Nomination Committee of the Board held one meeting and considered and approved the resolution in relation to nomination of candidates for the tenth session of the Board as non-executive Directors, with all members attending the meeting.

3. **Emolument and Examination Committee**

The Emolument and Examination Committee is responsible for developing assessment standards for senior management, carrying out assessment and making recommendations, as well researching and reviewing the emolument policies and programs for senior management. As at the end of the Reporting Period, members of the Emolument and Examination Committee under the tenth session of the Board were Yu Shiyong (chairman), Lin Bin and Li Zhijian, all independent non-executive Directors.

In 2021, the Emolument and Examination Committee of the Board held 2 meetings to consider and approve important resolutions in relation to the remuneration of senior management for the year 2020 and the performance appraisal of the members of the management, with all members attending the meetings.

4. **Strategy Committee**

The Strategy Committee is responsible for the review of the strategic development of the Company. It implements the strategic planning of the Company, monitors the execution of the strategic planning, and timely adjusts the strategic and governance structure of the Company. As at the end of the Reporting Period, members of the Strategy Committee under the tenth session of the Board included Han Guangde, Chen Liping and Xiang Huiming, executive Directors, and Chen Zhongqian, Chen Qi, Gu Yuan and Ren Kaijiang, non-executive Directors.

In 2021, the Strategy Committee held one meeting to explore the ideas for the next stage of the Company's strategic planning, with all members attending the meeting.

(iii) **Corporate Governance Function**

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

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

SECTION IV CORPORATE GOVERNANCE

(iv) Shareholders and General Meetings

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

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

1. Policy on Communication with Shareholders

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

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

2. Shareholders' Rights

Ways for shareholders to convene extraordinary general meeting

One or more shareholders holding more than 10% (including 10%) of the shares with voting rights issued by the Company in total shall have the right to propose the convening of extraordinary general meeting, and shall make the proposal in writing to the Board. The Board shall give a written reply on whether or not to agree with the proposal on convening extraordinary general meeting as soon as possible and in any event within 10 days after receiving the request in accordance with the requirements of laws, administrative rules and the Articles of Association.

If the Board agrees with the proposal on convening extraordinary general meeting, the Board shall give a notice on convening general meeting within 5 days after receiving the written request, and any alteration of the original request in the notice shall be subject to the consent of the relevant shareholders. If the Board does not agree with the proposal on convening extraordinary general meeting, or if it fails to give a reply within 10 days after receiving the request the shareholder(s) holding more than 10% of the shares of the Company may propose in writing to the Supervisory Committee to convene an extraordinary general meeting.

If the Supervisory Committee agrees with the proposal on convening extraordinary general meeting, it shall give a notice on convening general meeting within 5 days after receiving the written request, and any alteration of the original request in the notice shall be subject to the consent of the relevant shareholders. If the Supervisory Committee fails to give notice within the prescribed period, it is deemed that the Supervisory Committee will not convene a general meeting and preside over at the meeting. And after 90 consecutive days, the shareholder(s) holding more than 10% of the shares of the Company may convene and preside over the extraordinary general meeting on their own.

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

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

SECTION IV CORPORATE GOVERNANCE

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

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

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

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

Procedures for putting forward proposals at general meeting

At a general meeting, shareholders holding more than 3% (including 3%) of the Company's shares with voting rights shall have the right to put forward new proposals in writing to the Company at least 10 days before the general meeting. Within 2 days after receiving the proposal, the Company shall give a supplementary notice on general meeting stating the contents of the proposal.

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

3. The Company's Independence from the Controlling Shareholder

In 2021, the controlling shareholder of the Company had never been involved in any acts of bypassing the general meeting or interfering, whether directly or indirectly, with the Company's decision-making or operation. The Company and CSSC are independent of each other in terms of personnel, assets, finance, organization and business.

The connected transactions between the Company and CSSC were carried out in strict compliance with the listing rules of the relevant stock exchanges with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors were appointed to express their opinions. It is the policy of the Company and CSSC to conduct monthly monitoring of continuing connected transactions and report to the Board on a monthly basis and to Directors on the safety of connected deposits on an annual basis. The total value of continuing connected transactions in 2021 did not exceed the caps approved at the general meeting.

Controlling shareholder, actual controller and other units under its control engaged in business which is the same as or similar to the Company's business, impact on the Company of horizontal competition or significant change in horizontal competition, and resolving measures taken, its progress and follow-up plans

On 14 August 2019, CSSC undertook that it intended to implement three steps to resolve the horizontal competition between CSSC Holdings and COMEC (for details please refer to the Announcement on Receipt of Letter of Undertakings provided by Controlling Shareholder published by the Company on 14 August 2019 on the websites of the Shanghai Stock Exchange and the Stock Exchange).

On 17 May 2021, the Company received the letter from CSSC on the request for exemption from performance of certain undertakings, requesting for exemption from performance of step 3 of the original undertaking. The above exemption from undertaking has been considered and approved at the sixth meeting of the tenth session of the Board and the sixth meeting of the tenth session of the Supervisory Committee of the Company respectively held on the same day (for details please refer to the Announcement on the Receipt of the Letter from the Controlling Shareholder on the Request for Exemption of Performance of Step 3 of the Undertaking to Further Avoid Horizontal Competition published by the Company on 17 May 2021 on the websites of the Shanghai Stock Exchange and the Stock Exchange).

SECTION IV CORPORATE GOVERNANCE

On 7 July 2021, the Company held the first extraordinary general meeting of 2021, at which the resolution in relation to the proposal on the controlling shareholder to exempt themselves from compliance with Step 3 of the undertaking has been considered and approved, and CSSC was approved to be exempted from performing Step 3 of the Undertaking to Further Avoid Horizontal Competition.

On 8 July 2021, China Shipbuilding Group undertook that it would, within five years, steadily take forward the injection of relevant appropriate assets into the listed company and integration of business to resolve the problem of the horizontal competition by comprehensively using various methods such as entrusted management, asset reorganisation, equity exchange/transfer, asset transfer/disposal, business merger, business adjustment or other legal means based on the principle of facilitating the development of the listed company and safeguarding the interests of shareholders, minority shareholders in particular (for details please refer to the Report on the Acquisition of COMEC published by the Company on 8 July 2021 on the websites of the Shanghai Stock Exchange and the Stock Exchange).

II. GENERAL MEETINGS

No. of session	Date of meeting	Index for search on websites designated for publishing resolutions	Date of disclosure	Resolutions at the meeting
Annual general meeting of 2020	27 May 2021	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.see.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	28 May 2021	Resolutions including the report of the Board for 2020, the report of the Supervisory Committee for 2020, the annual report for 2020 (including the financial statements for 2020), the profit distribution proposal for 2020 and the resolution on the proposed provision of guarantee by the Company and its subsidiaries for 2021 and the amount were considered and approved
First extraordinary general meeting of 2021	7 July 2021	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.see.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	8 July 2021	Resolutions including the proposal on the controlling shareholder to exempt themselves from compliance with Step 3 of the undertaking to further avoid horizontal competition provided by controlling shareholder and the resolution on the appointment of auditor for financial reports of the Company for 2021 were considered and approved
Second extraordinary general meeting of 2021	22 December 2021	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.see.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	23 December 2021	Resolutions including the proposal on the amendments to the Articles of Association, the Rules of Procedures for Shareholders Meeting and the Rules of Procedures for Board Meetings and the election of directors were considered and approved
First A shareholders class meeting of 2021 and First H shareholders class meeting of 2021	22 December 2021	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.see.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	23 December 2021	Resolution on the proposal for amendments to the Articles of Association was considered and approved

SECTION IV CORPORATE GOVERNANCE

Description of general meetings

1. The Annual General Meeting of 2020: consideration and approval of the report of the board of directors for 2020, the report of the supervisory committee for 2020, the annual report for 2020 (including the financial statements for 2020), the proposal on profit distribution for 2020, the resolution on the provision of guarantee(s) by the Company for its subsidiary(ies) and vice versa and the maximum amount of guarantee for 2021.
2. The First Extraordinary General Meeting of 2021: consideration and approval of the resolution in relation to the proposal on the controlling shareholder to exempt themselves from compliance with Step 3 of the undertaking to further avoid horizontal competition and the resolution in relation to the appointment of auditor for financial reports of the Company for 2021.
3. The Second Extraordinary General Meeting of 2021: consideration and approval of the resolution in relation to the amendments to the Articles of Association, the resolution in relation to the amendments to the Rules of Procedures for Shareholders Meeting, the resolution in relation to the amendments to the Rules of Procedures for Board Meetings and the resolution in relation to the election of Director.
4. The First Class Meeting for Holders of A Shares of 2021 and the First Class Meeting for Holders of H Shares of 2021: consideration and approval of the resolution in relation to the amendments to the Articles of Association.

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OFFICERS

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

Unit: share

Name	Position (note)	Gender	Age	Date of appointment	Date of termination of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held in the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousand)	Whether receiving compensation from related parties of the Company or not
Han Guangde	Chairman	Male	60	2004-6-25	2023-5-31	0	0	0	-	0	Yes
Chen Zhongqian	Vice chairman	Male	59	2013-11-25	2023-5-31	0	0	0	-	0	Yes
Chen Liping	Executive Director, General Manager	Male	55	2016-8-10	2023-5-31	0	0	0	-	131.98	No
Xiang Huiming	Executive Director	Male	56	2015-5-8	2023-5-31	0	0	0	-	99.43	No
Chen Ji	Non-executive Director	Male	55	2016-8-10	2023-5-31	0	0	0	-	0	Yes
Gu Yuan	Non-executive Director	Male	53	2020-10-23	2023-5-31	0	0	0	-	0	Yes
Pen Kajiang	Non-executive Director	Male	55	2021-12-22	2023-5-31	0	0	0	-	0	Yes
Yu Shiyou	Independent non-executive Director	Male	66	2018-2-12	2023-5-31	0	0	0	-	20	No
Lin Bin	Independent non-executive Director	Male	60	2020-10-23	2023-5-31	0	0	0	-	20	No
Nie Wei	Independent non-executive Director	Male	52	2020-10-23	2023-5-31	0	0	0	-	20	No
Li Zhijian	Independent non-executive Director	Male	52	2020-10-23	2023-5-31	0	0	0	-	20	No
Chen Shuofan	Chairman of the Supervisory Committee	Male	50	2020-10-23	2023-5-31	0	0	0	-	18.11	Yes
Chen Shu	External supervisor	Female	68	2019-5-28	2023-5-31	0	0	0	-	12	No
Zhu Weibin	External supervisor	Male	61	2020-10-23	2023-5-31	0	0	0	-	12	No
Zhang Qingzhen	Employee supervisor	Male	55	2020-10-23	2023-5-31	0	0	0	-	0	Yes
Li Kai	Employee supervisor	Male	42	2020-10-23	2023-5-31	0	0	0	-	75.11	No
Li Zhidong	Secretary to the Board	Male	56	2016-10-14	2023-5-31	0	0	0	-	115.83	No
Hou Zengquan	Chief financial officer	Male	52	2017-11-10	2023-5-31	0	0	0	-	85.93	No
Total	/	/	/	/	/	0	0	0	/	630.39	/

SECTION IV CORPORATE GOVERNANCE

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

SECTION IV CORPORATE GOVERNANCE

Name	Main work experiences
Gu Yuan	<p>Male, born in October 1969, a senior economist. He graduated from the Beijing Institution of Economics and started working at the China Academy of Launch Vehicle Technology in 1992. He obtained a master's degree in Business Administration from Beijing Institution of Technology in 2001. He successively served as the deputy head and head of the General Office, Finance Office, Economic Management Office of Research Institute Civil Products Corporation* (研究院民品總公司), assistant to the president of China Engin International (Holdings) Limited (中國航天萬源國際(集團)有限公司) and general manager of Beijing Wanyuan Industrial Company (北京萬源工業有限公司), deputy head of the Department of Operation and Investment of the Institute, executive vice president, chief party secretary of China Changzheng Rocket Co., Ltd. (中國長征火箭有限公司), and deputy director of the Department of Operation and Management of China State Shipbuilding Corporation Limited. He is currently a deputy director of the Department of Assets of China State Shipbuilding Corporation Limited (中國船舶集團有限公司) and a non-executive Director of the Company.</p>
Ren Kaijiang	<p>Male, born in March 1967, a senior postgraduate engineer and a holder of a master's degree in business administration. He successively served as the deputy director and the director of the sales department of the steel machinery division of Jiangnan Shipyard (Group) Co., Ltd. (江南造船(集團)有限責任公司); the director of the sales department, assistant to the general manager and the deputy general manager of CSSC Jiangnan Heavy Industry Company Limited(中船江南重工股份有限公司); the deputy general manager of CSSC Steel Structure Engineering Co., Ltd.(中船鋼構工程股份有限公司) the deputy general manager of CSSC Science & Technology Company Limited(中船科技股份有限公司); and a supervisor of CSSC Ninth Design and Research Institute Engineering Co., Ltd. (中船第九設計研究院工程有限公司). He is currently a director of Chongqing Chuandong Shipbuilding Heavy Industry Company Limited (重慶川東船舶重工有限責任公司); a director of CSSC Science & Technology Co., Ltd. (中船科技股份有限公司) and a non-executive Director of the Company.</p>
Yu Shiyou	<p>Male, born in March 1956, professor. He graduated from Huazhong University of Science and Technology (華中理工大學) in 1987 with a master's degree, majoring in western economics. He successively served as deputy secretary of the Communist Youth League of Wuhan Camera Shutter Plant (武漢照相機快門廠); associate professor and deputy dean of the economics school of Huazhong University of Science and Technology (華中理工大學); professor, director of international finance and trading department, director of international business department, and deputy dean of Lingnan College, Sun Yat-Sen University (中山大學嶺南學院); director of finance and state-owned assets administration department, assistant to president, standing member of party committee, vice president, deputy party secretary and secretary of commission for discipline inspection of Sun Yat-Sen University. He is currently dean and deputy party secretary of Nanfang College of Guangzhou(廣州南方學院), and an independent non-executive Director of the Company.</p>
Lin Bin	<p>Male, born in September 1962, an accounting professor and senior certificated accountant in Australia. He graduated from Jiangxi University of Finance and Economics in 1984, with a bachelor's degree in accounting, and from Xiamen University in 1997, with a PhD in accounting. He successively served as a teacher in the Department of Economics and Management of East China Jiaotong University, head of the Department of Accounting in the School of Business, and head of the MPAcc Centre. Sun Yat-sen University He is currently a professor in the School of Business, Sun Yat-sen University, an independent director of Southern Publishing and Media Company Limited (南方出版傳媒股份有限公司), Shenzhen Hong Fu Han Technology Co.,Ltd. (深圳市鴻富瀚科技股份有限公司), Guangzhou Shiyuan Electronic Co., Ltd. (廣州視源電子科技股份有限公司) and Guangzhou Metro Design and Research Institute Co., Ltd. (廣州地鐵設計研究院股份有限公司), and an independent non-executive Director of the Company.</p>
Nie Wei	<p>Male, born in December 1970, He graduated from the School of Law of Wuhan University in 1994, with a bachelor's degree in Law. He successively served as officer of the Discipline Inspection Team and Legal Department of the People's Bank of China Guangzhou Branch, deputy general manager of Asset Preservation and officer of Legal Affairs Centre of China Everbright Bank Limited Guangzhou Branch, lawyer and partner at the Chuang Jie Law Firm (創傑律師事務所) and independent director of Zhuhai Rural Commercial Bank. He is currently a lawyer and partner at D&S Law Firm, an independent director of Jiangmen Rural Commercial Bank Company Limited, and an independent non-executive Director of the Company.</p>

SECTION IV CORPORATE GOVERNANCE

Name	Main work experiences
Li Zhijian	Male, born in May 1970, a doctorate at The Hong Kong Polytechnic University. He served as a clerk at Guangdong Province Tobacco Company. He is currently the general manager of Guangzhou Shangdao Consulting Co., Ltd. (廣州市商道諮詢有限公司) and chairman of Guangdong Asia-Pacific Institute of Innovation Economy (廣東亞太創新經濟研究院). He is also an external director of Guangzhou Port Holding Co., Ltd. (廣州港集團有限公司), external director of Guangzhou Intelligent Equipment Group Co., Ltd. (廣州智能裝備產業集團有限公司), expert of the National Development and Reform Commission Service Industry Expert Advisory Committee, vice president of the British Branch of the European and American Alumni Association, vice chairman (part-time) of Association of the Social and Scientific Sectors of Guangdong, expert of the Fourth Decision-making Consultation of Guangzhou Municipal People's Government, representative of Guangzhou party congress, and an independent non-executive Director of the Company.
Chen Shuofang	Male, born in May 1972, a doctorate and American Certified Management Accountant. He graduated from the Department of International Finance of Fudan University in 1996 with a bachelor's degree in Economics, graduated from the School of Management of the Chinese University of Hong Kong in 2007 with a master's degree in Professional Accounting, and graduated from Shanghai Academy of Social Sciences with a master's degree in Industrial Economics and a PhD in Economics in 2014. He successively served as an investigator of the Department of Western Europe, Ministry of Foreign Affairs of the People's Republic of China; third secretary of the Mission of the People's Republic of China to the European Union; deputy general manager of the Department of Finance of China Shipbuilding Trading Co., Ltd. (中國船舶工業貿易公司); deputy general manager, finance controller and deputy secretary of the party committee of Hudong Heavy Machinery Company Limited (滬東重機股份有限公司); director, vice president and chief financial officer of Winterthur Gas & Diesel Ltd.; deputy general manager and general counsel of Hudong Heavy Machinery Company Limited (滬東重機有限公司). He is currently the chairman of the Supervisory Committee of Hudong Zhonghua Shipbuilding Co., Ltd. (滬東中華造船(集團)有限公司), chairman of the Supervisory Committee of China Marine Power (Group) Co., Ltd. and the Chairman of the Supervisory Committee of the Company.
Chen Shu	Female, born in July 1954, a senior lawyer with a bachelor's degree in law and graduated from the law school of Sun Yat-sen University in June 1990. She successively served as officer and deputy director of Guangzhou Liwan Justice Bureau, lawyer at Kingpound Law Firm, secretary-general of Guangzhou Lawyer Association, a deputy to the 10th, 11th and 12th National People's Congress; She is currently an independent director of Wens Foodstuff Group Co., Ltd. and Guangzhou Port Co., Ltd. and an external director of Guangzhou Yuexiu Holding Limited; a supervisor of the Company.
Zhu Weibin	Male, born in June 1961, a senior accountant, a master postgraduate and a senior management accountant. He graduated from Hunan Vocational College for Light Industry in July 1988, majoring in accounting. He obtained a MBA from Lingnan (University) College in July 2001. He successively served as an accountant in the 711 Mine Finance Department of China National Nuclear Company; Supervisor of Guangzhou Economic Commission, Guangzhou Light Industry and Trade Group (廣州輕工貿集團), an enterprise subordinated by the SASAC, Guangzhou Textile Industrial and Trading Group (廣州紡織工貿集團) and Guangzhou Zhujiang Brewery Group Co., Ltd. (廣州珠江啤酒集團有限公司); deputy chief financial officer, chief financial officer and secretary to the board of Guangzhou Zhujiang Brewery Group Co., Ltd. (廣州珠江啤酒股份有限公司). He is currently a consultant of Guangzhou Zhujiang Brewery Group Co., Ltd.; deputy general manager of Guangzhou Huaxin Agricultural Products Group (廣州華新農產品集團); an independent director of Guangdong MeiShi Technology Co., Ltd. (廣東魅視科技股份有限公司) and an independent director of Bai Ling Data Co.,Ltd. (佰玲數據股份有限公司), and a supervisor of the Company.

SECTION IV CORPORATE GOVERNANCE

Name	Main work experiences
Zhang Qingzhen	<p>Male, born in November 1967, a senior economist (a researcher level). He graduated from Sun Yat-Sen University with a bachelor's degree in July 1990, majoring in physics, and obtained a master's degree in business administration from South China University of Technology in December 2004. He successively served as party secretary and deputy director (concurrently) of hull engineering department, party secretary and deputy director of shipbuilding engineering department of shipbuilding branch, office director, party secretary and secretary to the board of directors of Guangzhou Wenchong Shipyard; party secretary of ship repairing division and deputy manager (concurrently) of ship repairing division of Guangzhou Wenchong Shipyard Co., Ltd.; deputy general manager, party secretary, secretary of party committee, secretary of discipline committee and chairman of labor union of Guangzhou CSSC Yuanhang Wenchong Marine Engineering Co., Ltd.; secretary of party committee, director, secretary of discipline committee, chairman of labor union and chairman of Guangzhou CSSC Yuanhang Dockyard Co., Ltd.; vice chairman, secretary of party committee, secretary of discipline committee and chairman of labor union of CSSC Chengxi Yuanhang Shipbuilding (Guangzhou) Co., Ltd.; chairman of Supervisory Committee of CSSC Chengxi Shipbuilding Co., Ltd.; general manager and deputy secretary of party committee of CSSC Chengxi Shipbuilding (Guangzhou) Company Limited; general manager, deputy secretary of party committee and secretary of party committee of Guangzhou CSSC Wenchong Dockyard Co., Ltd. He is currently deputy secretary of party committee, chairman of labor union and director of confidentiality (concurrently) of Guangzhou Shipyard International Company Limited, secretary of party committee of Guangzhou Wenchong Ship Building and Repair Co., Ltd., and a supervisor of the Company.</p>
Li Kai	<p>Male, born in March 1980, a senior engineer. He graduated from Tsinghua University with a master's degree in 2006, majoring in software engineering. He successively served as salesperson of the pre-research and development division of the Ministry of Military Industry, deputy director and director of ship and marine engineering department of China State Shipbuilding Corporation Limited; party secretary and deputy director of the enterprise management and planning department, joint party secretary of the production and planning department and director of the enterprise management and planning department of CSSC Huangpu Wenchong Shipbuilding Company Limited. He is currently assistant to general manager and director of the enterprise management and planning department of CSSC Huangpu Wenchong Shipbuilding Company Limited, and a supervisor of the Company.</p>
Li Zhidong	<p>Male, born in April 1966, senior engineer. He graduated from Shanghai Jiaotong University with a bachelor's degree, majored in ship engineering, in engineering in July 1987 and obtained an MBA degree from CEIBS of Shanghai Jiaotong University in November 1997. He served as head of general office, chief legal advisor, assistant to general manager, board secretary and company secretary in Hong Kong of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently secretary to the Board and company secretary in Hong Kong of the Company.</p>
Hou Zengquan	<p>Male, born in May 1970, university graduate, senior accountant (researcher level), certified public accountant, certified management accountant and certified internal auditor. He graduated from Jinan University (暨南大學) in December 1992, major in accounting. He successively served as assistant to director and director of the finance centre of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司), as well as deputy chief accountant of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently deputy chief accountant and chief financial officer of the Company.</p>

SECTION IV CORPORATE GOVERNANCE

(2) Positions of Current and Resigned Directors, Supervisors and Senior Management Officers During the Reporting Period

(i) Positions held at shareholders

Name	Name of shareholder	Positions held at shareholders	Date of appointment	Date of termination of office
Han Guangde	Guangzhou Ship Industrial Co., Ltd.	Chairman, party secretary	2018.08	Not applicable
Han Guangde	Guangzhou Shipyard Co., Ltd.	Chairman	2013.08	2021.9.16
Han Guangde	Guangzhou Ruiling Industrial Development Co., Ltd.	Chairman	2020.04	Not applicable
Chen Zhongqian	Guangzhou Shipyard International Company Limited	Chairman	2018.08	Not applicable
Chen Zhongqian	China State Shipbuilding Corporation	Director	2020.05	Not applicable
Chen Liping	Guangzhou Shipyard International Company Limited	Director	2016.04	Not applicable
Chen Ji	Guangzhou Shipyard International Company Limited	Director, general manager	2016.06	Not applicable
Chen Ji	Guangzhou Wenchong Ship Building and Repair Co., Ltd	Chairman	2019.09	Not applicable
Gu Yuan	China Shipbuilding Trading Co., Ltd.	deputy general manager of the Department of Finance	2019.10	Not applicable
Ren Kaijiang	Chongqing Chuandong Shipbuilding Heavy Industry Company Limited	Director	2021.10	Not applicable
Ren Kaijiang	CSSC Science & Technology Co., Ltd.	Director	2021.11	Not applicable
Chen Shuofang	Hudong Zhonghua Shipbuilding Co., Ltd.	Chairman of Supervisory Committee	2020.05	Not applicable
Chen Shuofang	China Marine Power (Group) Co., Ltd.	Chairman of Supervisory Committee	2020.11	Not applicable
Zhang Qinghuan	Guangzhou Shipyard International Company Limited	Deputy secretary of party committee	2019.07	Not applicable
Zhang Qinghuan	Guangzhou Shipyard International Company Limited	Chairman of labor union	2019.09	Not applicable
Zhang Qinghuan	Guangzhou Wenchong Ship Building and Repair Co., Ltd.	Secretary of party committee	2019.12	Not applicable

SECTION IV CORPORATE GOVERNANCE

(ii) Positions held at other entities

Name	Name of other entities	Positions held at other entities	Date of appointment	Date of termination of office
Yu Shiyou	Nanfeng College of Guangzhou	Dean	2016.05	Not applicable
Yu Shiyou	Nanfeng College of Guangzhou	Deputy party secretary	2019.06	Not applicable
Lin Bin	School of Business, Sun Yat-sen University	Tutor to doctoral students and professor	1998.11	Not applicable
Lin Bin	Southern Publishing and Media Company Limited	Independent director	2018.01	Not applicable
Lin Bin	Guangzhou Shiyuan Electronic Co., Ltd.	Independent director	2021.01	Not applicable
Lin Bin	Shenzhen Hong Fu Han Technology	Independent director	2019.11	Not applicable
Lin Bin	Guangzhou Metro Design and Research Institute Co., Ltd.	Independent director	2018.08	Not applicable
Nie Wei	Jiangmen Rural Commercial Bank Company Limited	Independent director	2018.08	Not applicable
Nie Wei	D&S Law	Partner	2010	Not applicable
Li Zhijian	Guangzhou Port Holding Co., Ltd.	External director	2017.05	Not applicable
Li Zhijian	Guangzhou Intelligent Equipment Group Co., Ltd.	External director	2017.03	Not applicable
Zhu Weibin	Guangdong MeiShi Technology Co., Ltd.	Independent director	2020.01	2022.12
Zhu Weibin	Bai Ling Data Co.,Ltd.	Independent director	2021.09	2024.08
Zhu Weibin	Lonkey Industrial Co., Ltd., Guangzhou	Assets and financial consultant	2020.12	2021.12
Zhu Weibin	Guangzhou Zhujiang Brewery Group Co., Ltd.	Consultant	2020.04	Not applicable
Zhu Weibin	Guangzhou Huaxin Agricultural Products Group	Deputy general manager	2021.11	Not applicable
Chen Shu	Guangdong Wen's Foodstuff Group Co., Ltd	Independent director	2018.12	2021.12
Chen Shu	Guangzhou Port Co., Ltd	Independent director	2016.12	Not applicable
Chen Shu	Guangzhou Yuexiu Group Ltd.	External director	2016.01	Not applicable

(3) Remuneration of Directors, Supervisors and Senior Management

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

SECTION IV CORPORATE GOVERNANCE

(4) Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reason for change
Ren Kaijiang	Non-executive Director	Elected	Fill a vacancy on the Board

(5) Board meetings held during the Reporting Period

Meeting	Date	Resolutions
Fourth meeting of the Tenth Session of the Board of Directors	30 March 2021	1. Work report of general manager 2020; 2. Report of the Board 2020; 3. Resolution in relation to provision for asset impairment; 4. Annual report 2020 and its summary (including financial statements 2020); 5. Profit distribution proposal for 2020; 6. Resolution in relation to comprehensive credit limit and financing plans of the Company for 2021; 7. Framework proposal on the proposed guarantee and its limits of the Company and its subsidiaries for 2021; 8. Internal control assessment report 2020; 9. Social responsibility report 2020; 10. Resolution in relation to amendments to the Company's Rules for the Work of General Manager; 11. Resolution in relation to convening the Annual General Meeting of 2020.
Fifth meeting of the Tenth Session of the Board of Directors	29 April 2021	First quarterly report 2021.
Sixth meeting of the Tenth Session of the Board of Directors	17 May 2021	1. Proposal on the controlling shareholder to exempt themselves from compliance with Step 3 of the undertaking to further avoid horizontal competition; 2. Proposal on the appointment of auditor for financial reports of the Company for 2021; 3. Resolution in relation to the appointment of auditor for internal control of the Company for 2021; 4. Resolution in relation to convening the First Extraordinary General Meeting of 2021.
Seventh meeting of the Tenth Session of the Board of Directors	30 August 2021	1. Interim report 2021 and its summary; 2. Resolution in relation to amendments to governance systems of the Company; 2.1 Resolution in relation to amendments to the information disclosure management system; 2.2 Resolution in relation to amendments to the insider registration and management system; 3. Resolution in relation to formulating the proposal on term system for manager-level and contractual management work of COMEC.
Eighth meeting of the Tenth Session of the Board of Directors	30 September 2021	Proposal on entering into a very significant contract by a controlled subsidiary.
Ninth meeting of the Tenth Session of the Board of Directors	29 September 2021	Third quarterly report 2021.

SECTION IV CORPORATE GOVERNANCE

Meeting	Date	Resolutions
Tenth meeting of the Tenth Session of the Board of Directors	5 November 2021	1. Proposal on amendments to the Articles of Association; 2. Proposal on amendments to the Rules of Procedures for Shareholders Meeting; 3. Proposal on amendments to the Rules of Procedures for Board Meetings; 4. Proposal on nominating a candidate for the non-executive Director of the tenth session of the Board of Directors; 5. Resolution in relation to convening the Second Extraordinary General Meeting of 2021, First Class Meeting for Holders of A Shares of 2021 and the First Class Meeting for Holders of H Shares of 2021.
Eleventh meeting of the Tenth Session of the Board of Directors	22 December 2021	1. Resolution in relation to appointment of additional member to the Strategy Committee; 2. Resolution in relation to amendments to the Company's Implementation Rules for the Audit Committee; 3. Resolution in relation to amendments to the Company's Internal Control Manual and Internal Control Assessment Manual.

IV. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name of Directors	Independent or not	Attendance at Board meetings			Attendance at general meetings			
		Required attendance during the year	Attendance in person	Attendance by communication equipment	Attendance by proxy	Number of absence	Absence from two consecutive meetings or not	Attendance at general meetings
Han Guangde	No	8	1	6	1	0	No	2
Chen Zhongqian	No	8	0	6	2	0	No	0
Chen Liping	No	8	2	6	0	0	No	3
Xiang Huiming	No	8	1	6	1	0	No	1
Chen Ji	No	8	0	6	2	0	No	0
Gu Yuan	No	8	1	6	1	0	No	0
Ren Kaijiang	No	1	1	0	0	0	No	0
Yu Shiyong	Yes	8	2	6	0	0	No	3
Lin Bin	Yes	8	2	6	0	0	No	3
Nie Wei	Yes	8	0	6	2	0	No	1
Li Zhijian	Yes	8	2	6	0	0	No	3
Number of Board meetings during the year								8
Including: Number of on-site meetings								2
Number of meetings convened by communication equipment								6
Number of meetings both on-site and by communication equipment								0

SECTION IV CORPORATE GOVERNANCE

V. SPECIALIZED COMMITTEES UNDER THE BOARD OF DIRECTORS

(i) Members of the specialized committees under the Board of Directors

Specialized committee	Members
Audit Committee	Chairman: Lin Bin Members: Yu Shiyou, Nie Wei
Nomination Committee	Chairman: Nie Wei Members: Li Zhijian, Gu Yuan
Emolument and Examination Committee	Chairman: Yu Shiyou Members: Lin Bin, Li Zhijian
Strategy Committee	Chairman: Han Guangde Members: Chen Zhongqian, Chen Liping, Xiang Huiming, Chen Ji, Gu Yuan, Ren Kaijiang

(ii) 6 meetings of Audit Committee held during the Reporting Period

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
30 March 2021	The first meeting of Audit Committee under the tenth session of the Board of Directors of 2021. The following resolutions were considered and passed at the meeting: 1. Resolution in relation to provision for asset impairment; 2. Annual report 2020 and its summary (including financial statements 2020); 3. Profit distribution proposal for 2020; 4. Internal control assessment report 2020. The followings were reported at the meeting: 1. Duty performance report of Audit Committee for 2020; 2. Company internal audit work report for 2020.	The Audit Committee under the Board of Directors considered that: the Company's annual report 2020 has been prepared in accordance with the relevant requirements of the CSRC, SSE, Stock Exchange and the Accounting Standards for Business Enterprises. They were not aware of any material misstatement, whether due to fraud or error, in the process of preparation of the Company's financial statements, which reflected a true and fair view of the financial position, the operating results and cash flows of the Company for 2020.	–
29 April 2021	The second meeting of Audit Committee under the tenth session of the Board of Directors of 2021. The first quarterly report 2021 was considered and passed at the meeting.	The Audit Committee under the Board of Directors agreed to submit the first quarterly report 2021 to the fifth meeting of the Tenth session of the Board of Directors.	–
12 May 2021	The third meeting of Audit Committee under the tenth session of the Board of Directors of 2021. The following resolutions were considered and passed at the meeting: 1. Proposal on the appointment of auditor for financial reports of the Company for 2021; 2. Resolution in relation to the appointment of auditor for internal control of the Company for 2021.	The Audit Committee under the Board of Directors considered that: BDO China SHU LUN PAN Certified Public Accountants LLP was qualified in securities and futures-related business, and had the professional qualifications and competence to provide audit services for listed companies. It had sufficient independence, integrity and investor protection capability to satisfy the demand for the Company's audit in 2021. It was agreed to appoint BDO China SHU LUN PAN Certified Public Accountants LLP as the accounting firm for annual financial report and internal control of the Company for the year 2021, and to submit the above resolution to the sixth meeting of the Tenth Session of the Board of Directors for consideration.	–
27 August 2021	The fourth meeting of Audit Committee under the tenth session of the Board of Directors of 2021. The interim report 2021 and its summary was considered and passed at the meeting.	The Audit Committee under the Board of Directors agreed to submit the interim report 2021 to the seventh meeting of the Tenth Session of the Board of Directors.	–
29 October 2021	The fifth meeting of Audit Committee under the tenth session of the Board of Directors of 2021. The third quarterly report 2021 was considered and passed at the meeting.	The Audit Committee under the Board of Directors agreed to submit the third quarterly report 2021 to the ninth meeting of the Tenth Session of the Board of Directors.	–

SECTION IV CORPORATE GOVERNANCE

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
20 December 2021	The sixth meeting of Audit Committee under the tenth session of the Board of Directors of 2021. The following resolutions were considered and passed at the meeting: 1. Resolution in relation to amendments to the Company's Implementation Rules for the Audit Committee; 2. Resolution in relation to amendments to the Company's Internal Control Manual and Internal Control Assessment Manual.	The Audit Committee under the Board of Directors considered that: The amendments to the Company's Internal Control Manual and Internal Control Assessment Manual complied with the requirements of the Notice on Optimising the Establishment of Internal Control System and Related Supervision of Central Enterprises 2021 issued by the SASAC, State Council, can facilitate the further improvement of the Company's internal control system, and was in line with the Company's actual situation. It was agreed to submit the above resolution to the eleventh meeting of the Tenth Session of the Board of Directors for consideration.	-

(iii) 1 meeting of Nomination Committee held during the Reporting Period

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
2 November 2021	The first meeting of Nomination Committee under the tenth session of the Board of Directors of 2021. The resolution in relation to nominating a candidate for the non-executive Director of the tenth session of the Board of Directors was considered and passed at the meeting.	The Nomination Committee under the Board of Directors considered that: After reviewing the biographical details of Mr. Ren Kaijiang, it was not aware of any circumstance in relation to the prohibition from entering the securities markets as stipulated by the Company Law and the CSRC, and it was not aware of any penalty and punishment imposed by the CSRC, stock exchanges and other relevant authorities; The educational background, work experience and physical condition of Mr. Ren Kaijiang met the requirements for the Company's non-executive Director. It was agreed to submit the above resolution to the tenth meeting of the Tenth Session of the Board of Directors for consideration.	-

(iv) 2 meetings of Emolument and Examination Committee held during the Reporting Period

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
25 March 2021	The first meeting of Emolument and Examination Committee under the tenth session of the Board of Directors of 2021. The resolution in relation to the assessment results and emolument of the Company's Directors, Supervisors and senior management for 2020 was considered and passed at the meeting.	The Emolument and Examination Committee under the Board of Directors agreed on the assessment results of the Company's Directors, Supervisors and senior management for 2020.	-
13 August 2021	The second meeting of Emolument and Examination Committee under the tenth Session of the Board of Directors of 2021. The resolution in relation to formulating the proposal on term system for manager-level and contractual management work of COMEC was considered and passed at the meeting.	The Emolument and Examination Committee under the Board of Directors agreed to submit the resolution in relation to formulating the proposal on term system for manager-level and contractual management work of COMEC to the seventh meeting of the Tenth Session of the Board of Directors for consideration.	-

(v) 1 meeting of Strategy Committee held during the Reporting Period

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
14 December 2021	The first meeting of Strategy Committee under the tenth session of the Board of Directors of 2021.	The Strategic thinking and tentative plan for high-quality development of COMEC was reported at the meeting.	-

SECTION IV CORPORATE GOVERNANCE

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

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

VII. DETAILS OF STAFF OF THE COMPANY AND ITS MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

(i) Details of staff

Number of existing employees of the Company	19
Number of existing employees of major subsidiaries	7,446
Total number of existing employees	7,465
Number of retired staff who incurred expenses of the Company and major subsidiaries	5,065

Functions

Type of functions	Number of employees (persons)
Production staff	3,944
Sales staff	35
Technical staff	2,401
Finance staff	82
Administrative staff	1,003
Total	7,465

Educational Background

Educational background	Number of employees (persons)
Postgraduate and above	163
Undergraduate	2,668
Specialties	1,802
High school and below	2,832
Total	7,465

(ii) Remuneration policies

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

(iii) Training plan

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

(iv) Labour outsourcing

Total working hours for labour outsourcing	22,646,475 hours
Total remuneration paid for labour outsourcing	RMB1,225.3672 million

VIII. PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT CAPITAL RESERVES INTO SHARE CAPITAL

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

During the Reporting Period, no adjustment was made to the Company's policies for distribution of profits for ordinary shares. The Company will actively implement the cash dividend policy and create reasonable return for investors. For the Company's profit distribution policy, please refer to the Shareholders' Circular dated 5 December 2014 or the "Information about the Fourth Extraordinary General Meeting of 2014" published by the Company on the websites of the Stock Exchange, the SSE and the Company and the Articles of Association.

As considered and passed at the twelfth meeting of the tenth session of the Board of Directors of the Company, the proposal for profit distribution of the Company for 2021 is as follows:

The Company proposed to distribute a cash dividend of RMB1.38 (including tax) for every 10 shares to all shareholders, and the total cash dividends to be distributed would be RMB195,063,880.16 (including tax), calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2021, which represented 245.71% of the net profit attributable to the shareholders of the parent company as shown in the consolidated financial statements for the year. The remaining undistributed profit would be carried forward for distribution in subsequent years. The Company would not convert capital reserve into share capital for 2021. It was proposed that the distribution ratio per Share remains unchanged if any change in the total share capital of the Company occurred before the record date of implementation of dividend distribution, and the total amount of distribution shall be adjusted accordingly, and details of which shall be announced. This profit distribution proposal is subject to approval at the 2021 annual general meeting.

(ii) Cash dividend policy

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

(I.) Profit distribution principle

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

(II.) Ways of profit distribution

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

(III.) Conditions and proportion of dividend distribution

1. On the premise of satisfying the criteria for distribution of cash dividends, in principle, the Company shall distribute dividends in cash on a yearly basis. The Board of the Company can recommend to the Company to declare interim dividends based on the Company's profits and capital needs;
2. On the premise of satisfying the criteria for distribution of cash dividends, in principle, the Company shall distribute cash dividends based on a fixed proportion of distributable profits annually. The cumulative profit distribution in cash for the last three years shall not be less than 30% of the average distributable profit for the last three years;
3. The Company can increase the distribution of scrip dividend as an additional means for profit distribution, and the sum of cash dividends and scrip dividends shall not be less than 50% of the distributable profits for the year. In determining the specific amount for distributing profits in the form of scrip dividend, the Company should give due regard to whether the total share capital after profit distribution in scrip form corresponds to the Company's current scale of operation and profit growth rate, and consider the impact on the debt financing cost in future, so as to ensure that the profit distribution plan is in line with the overall interests and long-term interests of shareholders as a whole.

SECTION IV CORPORATE GOVERNANCE

4. In principle, in distributing cash dividends, the Company shall at the same time satisfy the following conditions:
 - (1) The Company has made a profit for that year, and after making up for losses in previous years and providing for provident fund reserves according to law, the cumulative undistributed profits shall be positive, and earnings per share shall not be less than RMB0.05;
 - (2) Auditors issue a standard audit report with unqualified opinion for the Company's financial report for the year;
 - (3) The Company's asset-liability ratio shall not exceed 70%;
 - (4) The Company does not have material investment plan or material cash expenditures for the year.

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

IX. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

The Company has established an effective internal control system in strict accordance with the provisions of the supporting guidelines of the SSE and the requirements of the Listing Rules of the Stock Exchange. The Board of Directors evaluates the effectiveness of the operation of the internal control system once a year. During the Reporting Period, the Company has completed the internal control assessment report for 2021. The Board of Directors has assessed the Group's risk management and internal control systems and reviewed their effectiveness, and no violation of laws, regulations and rules, or major deficiencies in compliance monitoring and risk management, or any major mistakes were found. The Board of Directors considered that the Group's risk management and internal control system are effective.

The full text of the Internal Control Self-Assessment Report for 2021 had been published on the websites of the SSE, the Hong Kong Stock Exchange and the Company on 30 March 2022.

X. MANAGEMENT AND CONTROL OVER SUBSIDIARIES DURING THE REPORTING PERIOD

As a holding company, COMEC focuses on asset operation and investment management. Its subsidiaries conduct independent production and operation. During the Reporting Period, the Company managed and controlled the subsidiaries in accordance with the relevant laws, regulations and regulatory documents, including the Company Law, the Enterprise State-owned Assets Law and the Articles of Association. First, the Company guided the subsidiaries to improve the corporate governance structure, improve the modern management system and standardised the operation in accordance with relevant laws and regulations; Second, it strictly monitored the related party transactions, external investment, external guarantee and other major matters of the subsidiaries, and supervised them to submit reports in time in accordance with the relevant requirements of the Listing Rules; Third, it paid attention to the operation and development of the subsidiaries, and facilitated the subsidiaries to improve quality and efficiency and create value.

XI. AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

BDO has conducted independent audit of the effectiveness of the Company's internal control for 2021 and issued an internal control auditors' report without qualifying opinions. For details, please refer to the internal control auditors' report of the Company disclosed on the websites of the SSE and the Hong Kong Stock Exchange on 30 March 2022.

XII. INSIDERS REGISTRATION MANAGEMENT

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

XIII. CONCLUSION

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

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

I. ENVIRONMENTAL INFORMATION

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

According to the Circular on the List of the Key Pollution Discharge Entities in Guangzhou for 2021 issued by Guangzhou Environmental Protection Bureau in November 2021, three members of the Group, namely Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering were included as key pollution discharge entities in Guangzhou for 2021.

1. Information on pollution discharge

Name of major and specific pollutants	Emission method	Number and distribution of emission outlets	Emission concentration and total emission	Excess emission	Pollutant emission standards in effect	Approved total emission
1. Toluene	Organized emissions (intermittent)	Huangpu Wenchong (4)	Average emission concentration 0.66 mg/m ³ , total emission 21 KG	None	Guangzhou Province Emission Limits of Air Pollutants (DB44/27-2001) period II Standard Level 2	-
	Organized emissions (intermittent)	Wenchong Shipyard (6)	Average emission concentration 0.71 mg/m ³ , total emission 671 KG			-
	Organized emissions (intermittent)	Huangchuan Ocean Engineering (7)	Average emission concentration 0.07mg/m ³ ,total emission 8KG			-
2. Xylene	Organized emissions (intermittent)	Huangpu Wenchong (4)	Average emission concentration 5.45 mg/m ³ , total emission 565 KG	None	Guangzhou Province Emission Limits of Air Pollutants (DB44/27-2001) period II Standard Level 2	-
	Organized emissions (intermittent)	Wenchong Shipyard (6)	Average emission concentration 2.12 mg/m ³ Total 1,641 KG			-
	Organized emissions (intermittent)	Huangchuan Ocean Engineering (7)	Average emission concentration 2.13 mg/m ³ , total emission 560 KG			-
3. VOCs	Organized emissions + unorganized emissions	Huangpu Wenchong (4)	Average emission concentration 20.115 mg/m ³ , total emission 4,053 KG	None	Guangzhou Province Emission Limits of Air Pollutants (DB44/27-2001) period II Standard Level 2	-
	Organized emissions + unorganized emissions	Wenchong Shipyard (6)	Average emission concentration 8.67mg/m ³ , total emission 5,483KG			-
	Organized emissions (intermittent)	Huangchuan Ocean Engineering (7)	Average emission concentration 4.15 mg/m ³ , total emission 820 KG			-
4. Particulate matter	Organized emissions (intermittent)	Huangpu Wenchong (4)	Average emission concentration 28.84 mg/m ³ , total emission 3,960 KG	None	Guangzhou Province Emission Limits of Air Pollutants in Guangdong Province period II Standard Level 2 for Class II Area	-
	Organized emissions (intermittent)	Wenchong Shipyard (12)	Average emission concentration 3.37 mg/m ³ , total emission 6,039 KG			-
	Organized emissions (intermittent)	Huangchuan Ocean Engineering (13)	Average emission concentration 24mg/m ³ , total emission 7,140KG			-
5. COD	Organized emissions (intermittent)	Huangpu Wenchong (1)	Average emission concentration 39.33 mg/L, total emission 19,862KG	None	Guangzhou Province's Emission Limits of Water Pollutants in Guangdong Province (DB44/26-2001) period II Standard Level 3	-
	Organized emissions (intermittent)	Wenchong Shipyard (1)	Average emission concentration 9.76 mg/L, total emission 29,188KG			-
	Organized emissions (intermittent)	Huangchuan Ocean Engineering (1)	Average emission concentration 20 mg/L, total emission 4,260KG			-

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

Name of major and specific pollutants	Emission method	Number and distribution of emission outlets	Emission concentration and total emission	Excess emission	Pollutant emission standards in effect	Approved total emission
6. Ammonia nitrogen	Organized emissions (intermittent)	Huangpu Wenchong (1)	Average emission concentration 1.4023 mg/L, total emission 2,784KG	None	Emission Limits of Water Pollutants in Guangdong Province (DB44/26-2001) period II Standard Level 3	-
	Organized emissions (intermittent)	Wenchong Shipyard (1)	Average emission concentration 0.082 mg/L, total emission 3,070KG			-
	Organized emissions (intermittent)	Huangchuan Ocean Engineering (1)	Average emission concentration 3.41mg/L, total emission 720KG			-

2. Construction and operation of pollution prevention facilities

① Huangpu Wenchong

Existing facilities of Huangpu Wenchong against environmental pollution: 7 sets of organic waste gas purification and treatment devices installed in two pretreatment lines, old painting and assembly workshop, new painting and assembly workshop, paint mixing workshop and hazardous waste warehouse respectively; 7 sets of dust removal facilities installed in two pretreatment lines, old painting and assembly workshop and new painting and assembly workshop respectively. The organic waste gas purification and treatment device adopts the technical process of "activated carbon adsorption + catalytic combustion", and the dust treatment device adopts the method of cyclone dust removal + filter cartridge dust removal. It has also built a hazardous waste dump to store hazardous waste and prevent environmental pollution.

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 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.

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.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

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

Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering have all implemented the project application and approval system in strict accordance with national laws and regulations. All of the projects have maintained project initiation documents and environmental impact assessment reports, and have obtained the approval for project environmental impact assessment in accordance with the laws. In the process of project construction, the "Three simultaneousness" system for environmental protection are strictly implemented, and the investment of environmental protection facilities is guaranteed, and the projects are examined in terms of environmental protection aspects according to the approval for environmental impact assessment once the projects are completed.

Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering have all obtained the National Pollution Discharge Permit and Drainage Permit and operated effectively. They achieve stable discharge of pollutants within the limits and control the total discharge in the daily production and operation.

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

Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering have prepared the "Emergency Plans for Sudden Environmental Events" in strict accordance with the "Management Measures for Emergency Plans for Sudden Events" promulgated by the General Office of the State Council, and filed the same in the corresponding environmental departments. They have also carried out drills at all levels under the onsite observation and supervision of the environmental departments, by which the ability of handling sudden environmental events has been comprehensively enhanced.

5. **Environmental self-monitoring solutions**

According to the State Environmental Protection Standard HJ819-2017 "General Rules for Self-monitoring Technical Guide for Emission Units", the Company develops environmental monitoring programs, has appointed professional companies to carry out monitoring work, monitors waste gas, waste water and noise emissions in each plant area every quarter, grasps the operation of environmental protection equipment and facilities, and does maintenance management to ensure that pollutant emissions meet the standards.

6. **Other environmental information that should be disclosed**

The Group discloses corporate environmental information on the government public platform every year, and conducts corporate environmental credit evaluation against the standards. In 2021, Huangpu Wenchong and Wenchong Shipyard are both blue-credentialed environmental credit enterprises and Huangchuan Ocean Engineering is a green-credentialed environmental credit enterprise.

(ii) **Information regarding protection of ecological environment, prevention of pollution and performance of environmental responsibility**

The Group adheres to the environmental principle of "green shipbuilding and peaceful development", and incorporates ecosystem and environmental protection into our decision-making and proactively explores the whole-process control of reducing wastes at the source, controlling in the process and governing at the end. Through investment in R&D and scientific and technological innovation, the Group promotes the upgrading of energy-saving, environmentally-friendly and high-tech marine engineering equipment, and strives to reduce the impact of product operation on the environment; In the production process, the Group reduces the generation of waste from the source by optimising the production technical process, increasing the investment in environmental protection, improving environmental protection facilities and strengthening the basic management of environmental protection. We also promote the recycling of resources, reduce the amount of waste disposal, and continuously take forward the coordinated development of economy and ecological environment by improving the waste classification management and comprehensive utilization efficiency.

(iii) **Measures for reducing carbon emission and their performance during the Reporting Period**

The Group closely monitors the global climate change trends, fully implements national and local policy requirements, and strictly abides by the relevant international conventions. Greenhouse gas management is integrated into our energy management business. The objective of directly and indirectly reducing carbon emission is achieved by saving energy and improving energy efficiency. During the Reporting Period, the Group continuously developed the photovoltaic power generation projects in plant areas and transformation of the shore power set up at the wharfs to promote the use of clean energy.

II. **SOCIAL RESPONSIBILITY WORK**

For details of the Company's fulfillment of social responsibility and the requirements of the Hong Kong Stock Exchange's environmental, social and governance reporting guidelines, please refer to the Company's "Corporate Governance Report for the Year 2021", the simplified Chinese version and the traditional and English versions of which have been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk), the Shanghai Stock Exchange (www.hkexnews.hk) and the Company (cscs.net.com) on 30 March 2022 and 29 April 2022 respectively.

III. **STATUS OF CONSOLIDATING AND EXPANDING ACHIEVEMENTS IN POVERTY ALLEVIATION AND RURAL REVITALIZATION**

In 2021, the Group earnestly implemented the requirements of the Party's Central Committee and provinces and cities on targeted poverty alleviation, fulfilled the social responsibility of state-owned enterprises, and actively carried out targeted poverty alleviation. We have improved the self-development ability of those being helped by purchasing poverty alleviation products from Heqing County and Mengla County for a total of RMB2,190,127.

SECTION VI SIGNIFICANT EVENTS

I. 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	If not performed timely, the plans in the next step should be stated
Commitments made in a report of acquisition or a report on changes in equity	Others	China Shipbuilding Group	<p>1. Independence of personnel: (1) To ensure that senior management personnel (such as general manager, deputy general manager, financial controller and secretary) to the Board of the listed company will not hold executive positions other than those of directors and supervisors in the Company and other affiliate entities controlled by the Company (hereinafter referred to as the "Affiliate Entities"), and will not receive salaries from the Company and the Affiliate Entities. (2) The financial officers of the listed company will not hold part-time positions with the Company and the Affiliate Entities of the Company. 2. Financial independence: (1) The listed company is guaranteed to have an independent financial accounting department and an independent financial accounting system and financial management system, and to make financial decisions independently. (2) To ensure that the listed company will remain independent in financial decision-making and that the Company and the Affiliate Entities of the Company will not interfere with the use of funds of the listed company. (3) To ensure that the listed company opens and settles bank accounts independently, and that it makes tax returns and fulfils its tax obligations independently in accordance with the law. 3. Institutional independence: (1) To ensure that the listed company and its subsidiaries establish and improve their corporate governance structure in accordance with the law and are able to operate independently and autonomously; to ensure that the offices and production and operation premises of the listed company are separate from those of the Company and the Affiliate Entities of the Company. (2) To ensure that the listed company and its subsidiaries operate independently and autonomously, and that there is no subordination relationship with the functional departments of the Company. 4. Independence of assets: (1) To ensure that the listed company has independent and complete assets. (2) To ensure that the Company and the Affiliate Entities of the Company do not misappropriate the assets, funds and other resources of the listed company. 5. Independence of business: (1) To ensure that the listed company is independent in its business and conducts its business activities independently. (2) To ensure that the listed company is independent in signing external contracts and conducting business, forming an independent and complete business system, carrying out independent accounting for operation and management, bearing responsibilities and risks independently, and having the ability to operate independently and on its own in the market.</p>	Made on 30 June 2021	No	Yes	-

SECTION VI 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	If not performed timely, the specific reasons should be stated	If not performed timely, the plans in the next step should be stated
Undertaking relating to the material asset reorganisation	Resolving horizontal competition	China Shipbuilding Group	<p>1. With regard to the horizontal competition between the Affiliate Entities of the Company and the listed company before or as a result of this transfer, the Company will, in accordance with the requirements of the relevant securities regulatory authorities and to the extent permitted by applicable laws and regulations and relevant regulatory rules, within five years from the date of this letter of undertaking, and on the principle of facilitating the development of the listed company and safeguarding the interests of Shareholders, in particular the interests of minority Shareholders, make comprehensive use of enticement management, asset restructuring, equity exchange/transfer, asset transfer/sale, business combination, business adjustment or other lawful means to steadily promote the integration of the relevant assets and businesses in line with the injection into the listed company in order to resolve the issue of horizontal competition. 2. Before the elimination of horizontal competition between the listed company and the Affiliate Entities of the Company, the Company will strictly comply with the provisions of relevant laws, regulations and regulatory documents as well as the internal management system such as the Articles of Association of the listed company, exercise the rights of shareholders through shareholding relationship in accordance with the principle that state-owned assets are owned by the State and managed in a hierarchical manner, properly handle matters involving the interests of the listed company, not make use of its control position to obtain improper benefits or engage in transfer of benefits, and not engage in any acts that are detrimental to the legitimate interests of the listed company and its minority Shareholders.</p>	Within five years of the date of the commitment on 30 June 2021	Yes	Yes	-	-
	Solving the defects on titles to lands	CSSC	<p>Arrangements for supporting the relocation and upgrading of Huangpu Wenchong and Wenchong Shipyard. Pursuant to overall planning of Guangzhou Municipal Government, a land parcel of Huangpu Wenchong at Changzhou Street ("Changzhou Plant") and a land parcel located at Wenchong Plant owned by Wenchong Shipyard, a subsidiary of Huangpu Wenchong, are no longer suitable for industrial use in stipulating 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 certain granted land and properties in Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon are located on partially allocated land or is unlicensed real property, 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.</p>	Made on 31 October 2014	No	Yes	-	-

SECTION VI 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	If not performed timely, the specific reasons should be stated	If not performed timely, the plans in the next step should be stated
	Others	CSSC	<p>Content of undertaking</p> <p>1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to relocation, 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.</p>	Made on 3 March 2015	No	Yes	-	-
	Settlement of connected transactions	CSSC	<p>Content of undertaking</p> <p>1. Upon completion of the restructuring, CSSC and enterprises under control of CSSC and listed companies and subsidiaries 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 marketisation 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.</p>	Made on 7 August 2019	No	Yes	-	-
	Others	CSSC	<p>Content of undertaking</p> <p>Upon completion of the restructuring, CSSC, as the controlling shareholder of COMEC, will continue to exercise the rights of shareholders in accordance with laws, regulations and the Articles of Association of COMEC. CSSC will not affect the independence of COMEC by virtue of its status as a controlling shareholder and will maintain the independence of COMEC in terms of assets, personnel, finance, business and institutions.</p>	Made on 7 August 2019	No	Yes	-	-

SECTION VI 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	If not performed timely, the specific reasons should be stated	If not performed timely, the plans in the next step should be stated
	Resolving horizontal competition	CSSC	<p>*.....In light of the strategic restructuring of CSSC and CSSC, 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 optimise 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 11 counterparties through share offering, namely CSSC, 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, Dongli Guochuang and Guida Fund; proposed to acquire 36.2717% equity interests of Waipaodao Shipbuilding and 21.4538% equity interests of CSSC Chengxi held in aggregate by 9 counterparties through share offering, namely CSSC, Huorong Rutong, New China Life Insurance, China Structural Reform Fund, CPC Property Insurance, China Life, PICC, ICBC Investment, Dongli 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 Huorong Rutong, Zhongyuan Asset, New China Life Insurance, China Structural Reform Fund, CPC Property Insurance, China Life, PICC, ICBC Investment and Dongli 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 CSSC Holdings, with 100% equity interests in Eastern Shanghai Heavy Machinery, jointly established CSSC Marine Power Group ("Establishment of Power Platform"); 3. Step 3: COMEC conducted asset replacement by virtue of 54.5371% equity interests in Haungpu Wenchong, 46.3018% equity interests in GSI and shareholding of CSSC Marine Power Group held by CSSC Holdings 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.</p>	Made on 12 September 2019	Yes	Yes	Against the background that the internal and external conditions for the implementation of the joint reorganisation between CSSC and China Shipbuilding Industry Corporation have basically been fulfilled, step 3 of the original undertaking can no longer resolve the issue of peer competition between CSSC Holdings and COMEC, and the continuation of the implementation will create new situations of peer competition between CSSC Holdings, COMEC and other listed companies under China Shipbuilding Group and some unlisted enterprises, which is not conducive to safeguarding the interests of listed companies and minority Shareholders. The Company's first extraordinary general meeting of 2021 was held on 7 July 2021, at which the resolution relating to the "proposal on the controlling shareholder to exempt themselves from compliance with Step 3" was considered and approved, agreeing to the waiver of Step 3 of the "undertaking to further avoid the horizontal competition provided by controlling shareholder" by CSSC.	-

SECTION VI SIGNIFICANT EVENTS

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

(i) Analysis of the Reasons and Impact of the Change in Accounting Policy and Accounting Estimates

Implementation of Interpretation No.15 of the Accounting Standards for Business Enterprises in relation to the presentation of centralized fund management

The Ministry of Finance issued the Accounting Standards for Business Enterprises - Interpretation No. 15 (Cai Kuai [2021] No. 35, hereinafter referred to as "Interpretation No. 15") on 30 December 2021. The content of "presentation of centralized fund management" shall be effective from the date of publication, and the data of financial statements in comparable periods shall be adjusted accordingly.

Interpretation No. 15 clearly stipulates how the balance of the funds of the parent company and member units managed in a centralized and unified manner by enterprises through internal settlement centres and financial companies should be presented and disclosed in the balance sheet. The implementation of this provision has no impact on the financial position and operating results of the Group.

(ii) Communication with the former accounting firm

The Company has communicated with BDO China Shun Lun Pan Certified Public Accountants LLP regarding the change of accounting firm, and WUYIGE has been clearly informed of such matter and confirmed that it has no objection.

SECTION VI SIGNIFICANT EVENTS

III. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: Yuan Currency: RMB

	Originally appointed	Currently appointed
Name of domestic accounting firm	WUYIGE Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of domestic accounting firm	1,210,000	1,050,000
Number of years of audit by domestic accounting firm	2 years	1 year
Name of overseas accounting firm	–	–
Remuneration of overseas accounting firm	–	–
Number of years of audit by overseas accounting firm	–	–

	Name	Remuneration
Accounting firm for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP	280,000
Financial consultant	–	–
Sponsor	–	–

Description of appointment and dismissal of accounting firms

The Company changed its accounting firm during the Reporting Period, taking into account the current state of affairs and development needs of the Company.

1. It was considered and passed at the first extraordinary general meeting of 2021 of the Company that, BDO was appointed as the Company's 2021 financial report auditor. The audit fee is RMB1.05 million (inclusive of tax). The financial statements in the Company's annual report 2021 were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC, and audited by BDO. BDO will retire upon expiry of term and offer themselves for re-appointment.
2. It was considered and passed at the 6th meeting of the tenth session of the Board that the Company re-appointed BDO as the Company's internal control auditor for 2021. The audit fee is RMB280,000 (inclusive of tax). BDO will audit the effectiveness of the Company's internal control and issue an audit report.
3. For the years 2019 and 2020, the Company's accounting firm was WUYIGE Certified Public Accountants LLP

SECTION VI SIGNIFICANT EVENTS

IV. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company had no material litigations or arbitrations during the year

V. MATERIAL CONNECTED TRANSACTIONS

(i) Connected transactions in the ordinary course of business

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

Pursuant to Chapter 14A of the Listing Rules, routine connected transactions constitute the continuing connected transaction, particulars of these transactions have been disclosed in the notes to the financial statements in accordance with Rule 14A.71.

Auditor of the financial report and Directors of the Company (including four independent non-executive Directors) have reviewed the continuing connected transactions and confirm that such transactions are conducted in the Company's ordinary course of business on normal commercial terms and in accordance with related contractual provisions; the transaction terms are fair and reasonable, and in the shareholders' interests as a whole; and the transactions did not exceed the cap amounts for year 2021, as approved in the shareholders' meeting.

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

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

On 30 December 2019, the Company and China State Shipbuilding Corporation (中國船舶工業集團有限公司) entered into a framework agreement (the "2020-2022 Framework Agreement") for the continuing connected transactions for the period from 1 January 2020 to 31 December 2022 (both days inclusive).

CSSC Group being a controlling shareholder of the Company, is a connected person of the Company pursuant to the Hong Kong Listing Rules. As a result, the transactions between the Group and the CSSC Group and its subsidiaries and associates constitute connected transactions of the Company.

The Company and CSSC entered into the Supplemental Agreement on 10 September 2020 (the "Supplemental Agreement") to revise certain existing caps for products and services (including financial services) provided by the CSSC Group to the Group and its subsidiaries and associates for the year ending 31 December 2020, 2021 and 2022 respectively.

SECTION VI SIGNIFICANT EVENTS

The principal terms of the 2020-2022 Framework Agreement as supplemented by the Supplemental Agreement are as follows:

Connected transactions in the ordinary course of business for 2021 (from January to December)

Unit: RMB 0'000

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 the Group to CSSC Group				
1.1	Provision of ship products, electromechanical equipment and metallic materials	350,135.00	66,382.70	5.80	Market price
1.2	Supply of utilities	160.00	7.88	1.10	Cost plus a 20-25% management fee or on prices no less favourable to the Group than prices available from independent third parties
1.3	Environmental protection business including leasing, labour supply, ship products and land restoration, and other technical services related to engineering	4,893.00	1,777.80	8.44	On prices no less favourable to the Group than prices available from independent third parties
2	Products and services provided by CSSC Group to the Group				
2.1	Provision of equipment for use on ships, electromechanical equipment, accessories and materials	612,590.00	508,225.14	60.06	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.	51,740.00	26,715.54	13.26	On prices no less favourable to the Group than prices available from independent third parties or cost plus a 10% management fee or market price
3	Financial services provided by CSSC Group to the Group				
3.1	Deposits (maximum limit)	623,500.00	619,194.02	64.77	Appropriate rise of benchmark deposit interest rate set by the People's Bank of China
3.2	Deposits (interest)	8,675.00	6,483.12	25.47	
3.3	Loans (maximum limit)	187,300.00	156,500.00	26.00	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)	7,056.00	2,886.43	21.85	
3.5	Others and bank facilities (maximum limit)	335,000.00	305,773.07	34.90	On terms no less favourable to the Group than terms available from independent third parties
3.6	Others and bank facilities (handling fee)	422.00	171.70	8.03	
3.7	Forward exchange settlement (maximum limit)	200,000.00	188,915.62	18.69	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)	350,000.00	345,000.00	100.00	Based on market price, on charging terms no less favourable to the Group than terms available from
3.9	Entrusted assets management services independent third parties (interest)	7,350.00	2,773.87	100.00	
4	Guarantee provided by CSSC Group to the Group				
4.1	Maximum guarantee amount	480,000.00	-	Not applicable	CSSC shall not charge any guarantee fees from COMEC, related terms shall not be less favourable to the terms available from independent third parties
4.2	Guarantee fee	1,280.00	-	Not applicable	
5	Ship sales agency services provided by CSSC Group to the Group				
5.1	Ship sales agency	3,016.00	2,664.75	22.12	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	Procurement agency services provided by CSSC Group to the Group				
6.1	Materials purchase agency	330.00	72.14	100.00	Follow the worldwide industry practice and 1-2% of the contract price in general

Note: References to CSSC Group in the table refer to CSSC Group and its subsidiaries and associates.

SECTION VI SIGNIFICANT EVENTS

(i) Financial activities between the Company and related financial companies, the Company's holding company and related parties

1. Deposit business

Unit: Yuan Currency: RMB

Related party	Relationship	Maximum daily deposit limit	Range of deposit interest rates	Opening balance	Transaction in the period		Closing balance
					Total deposited amount in the period	Total withdrawn amount in the period	
CSSC Finance Company Limited	Under common control	6,235,000,000.00	0.35%-3.85%	6,179,869,944.74	28,826,061,993.40	28,813,991,758.99	6,191,940,179.15
Total	/	/	/	6,179,869,944.74	28,826,061,993.40	28,813,991,758.99	6,191,940,179.15

2. Loan business

Unit: Yuan Currency: RMB

Related party	Relationship	Loan limit	Range of loan interest rates	Opening balance	Transaction in the period		Closing balance
					Total loan amount in the period	Total repayment amount in the period	
CSSC Finance Company Limited	Under common control	1,873,000,000.00	2.10%-3.05%	610,000,000.00	1,140,000,000.00	610,000,000.00	1,140,000,000.00
Total	/	/	/	610,000,000.00	1,140,000,000.00	610,000,000.00	1,140,000,000.00

3. Facilities business or other financial business

Unit: Yuan Currency: RMB

Related party	Relationship	Business type	Total	Actual transaction amount
CSSC Finance Company Limited	Under common control	Bank comprehensive facilities	3,350,000,000.00	3,057,730,669.69
CSSC Finance Company Limited	Under common control	Derivative business, such as forward exchange settlement	2,000,000,000.00	1,889,156,175.00
CSSC Finance Company Limited	Under common control	Entrusted assets	3,500,000,000.00	3,100,000,000.00

VI. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Trust, contracting and lease matters

1. Leases

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Leased assets	Amount of lease assets	Date of commencement of lease	Date of expiry of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not	Relationship
Guangzhou Ship Industrial Company Limited	Huangpu Wenchong	Land, buildings and structures	-	2014.5.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Wenchong Industrial Co. Ltd.	Wenchong Shipyard	Land, buildings and structures	-	2018.11.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangxin Shipbuilding & Heavy Industry Co., Ltd. (廣新海軍重工股份有限公司)	Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Land, buildings and structures	-	2019.5.1	2022.4.30	-	-	-	No	Others
Guangdong COSCO SHIPPING Heavy Industry Co., Ltd. (廣東中遠海運重工有限公司)	Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Land, buildings and structures	-	2021.7.9	2026.7.8	-	-	-	No	Others

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 depreciated or amortized added taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use rights commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong is completed and commences formal production at its new plant.

Guangzhou Wenchong Industrial Co., Ltd. and Wenchong Shipyard entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Company shall lease its land use rights in relation to part of the land at the Wenchong Plant to Wenchong Shipyard for operational usage. The rent for the land use rights shall be determined based on the principle of asset depreciated or amortized added 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.

Guangxin Shipbuilding & Heavy Industry Co., Ltd. and Guangzhou Wenchuan Heavy Industrial Co. Ltd., entered into the "Plant and Site Lease Contract", and leased part of the plant and site use rights in no. 32, Cuizhu Road, Cuiheng New District, Zhongshan City to Guangzhou Wenchuan Heavy Industrial Co. Ltd. for business use. The lease fee of the land use right shall be determined in accordance with the contract, and the rent shall be paid monthly in the form of monetary funds. The lease term of the aforementioned land use rights started from 1 May 2019 and ending on 30 April 2022.

Guangdong COSCO SHIPPING Heavy Industry Co., Ltd. and Guangzhou Wenchuan Heavy Industry Co., Ltd. entered the "Site and Equipment Leasing Contract", and leased part of the site and its ancillary equipment in Runfeng Road, Dasheng Industrial Zone, Mayong Town, Dongguan City, to Guangzhou Wenchuan Heavy Industry Co., Ltd. for business use. The lease fee of the land use right shall be determined in accordance with the contract, and the rent shall be paid monthly in the form of monetary funds. The lease term of the aforementioned land use rights started from 9 July 2021 and ending on 8 July 2026.

SECTION VI SIGNIFICANT EVENTS

(ii) Guarantees

Unit: Yuan Currency: RMB

Guarantees provided by the Company for its subsidiaries

Total amount of guarantees provided for its subsidiaries during the Reporting Period	1,230,000,000.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	1,372,758,080.00

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

Total amount of guarantees	1,372,758,080.00
Total amount of guarantees as a percentage of the Company's net assets (%)	8.84
Including:	
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio over 70%	307,758,080.00

Description of outstanding guarantees which may incur joint and several liability
Description of guarantees

-
During the Reporting Period, the Group provided external guarantee with an accumulated amount of RMB1.230 billion, and the content and amount of the Group's external guarantees were within the scope of limit set out in the framework for the guarantees as approved at the general meeting, and there was no overdue guarantee. During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB1.373 billion, most of them were guarantees provided by the Company's subsidiary Huangpu Wenchong to its subsidiaries Wenchong Shipyard and Wenchuan Heavy Industrial. The guarantee items are comprehensive credit guarantee and financing project guarantee.

(iii) Cash assets entrusted to be managed by others

1. Entrusted wealth management

(1) Overview of entrusted wealth management

Unit: Yuan Currency: RMB

Type	Source of funding	Amount incurred	Outstanding balance	Amount overdue unrecovered
Entrusted assets	Self-owned funds	3,100,000,000.00	3,100,000,000.00	0

(2) Individual entrusted wealth management

Unit: Yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Date of commencement of entrusted wealth management	Date of expiry of entrusted wealth management	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted wealth management	Amount of provision made for impairment (if any)
CSSC Finance	Entrusted assets	70,000,000.00	2020/3/25	2021/3/31	Self-owned funds	Mainly utilised in low risk products such as central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bills, medium-term notes, bank financial products, brokerage asset management plan, money funds, bond funds and deposits	Payment of principal and interest (primarily)	3.40%	2,419,123.29	2,419,123.29	70,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	330,000,000.00	2021/2/22	2021/12/24	Self-owned funds			3.40%	11,281,479.45	11,281,479.45	330,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	270,000,000.00	2021/2/20	2021/12/10	Self-owned funds			3.40%	8,076,995.30	8,076,995.30	270,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	270,000,000.00	2021/2/16	2022/12/15	Self-owned funds			3.30%	8,885,690.04			Yes	Yes	-
CSSC Finance	Entrusted assets	330,000,000.00	2021/2/20	2022/12/28	Self-owned funds			3.30%	10,630,232.77			Yes	Yes	-
CSSC Finance	Entrusted assets	200,000,000.00	2021/2/8	2021/8/10	Self-owned funds			3.20%	3,238,767.12	3,238,767.12	200,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	50,000,000.00	2021/4/28	2021/10/28	Self-owned funds			3.20%	832,191.78	832,191.78	50,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	100,000,000.00	2021/7/2	2021/12/3	Self-owned funds			3.20%	1,350,135.99	1,350,135.99	100,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	1,600,000,000.00	2021/1/29	2022/1/7	Self-owned funds			1.90%	749,593.04			Yes	Yes	-
CSSC Finance	Entrusted assets	900,000,000.00	2021/1/20	2022/1/13	Self-owned funds			2.00%	680,410.96			Yes	Yes	-

Description:

- In the table above, the "expected return" represents the total returns expected to be obtained during the term of entrusted wealth management, and the "actual gain or loss" represents the gains or losses obtained as agreed under the contract during the elapsed period of entrusted wealth management.
- The Company and its wholly owned subsidiary Huangpu Wenchong have utilised surplus capital in entrusted asset management. During the Reporting Period, the Group's entrusted assets (daily maximum balance) amounted to RMB3,100 million with an outstanding balance of RMB3,100 million, which mainly represent low risk products such as central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bills, medium-term notes, bank financial products, brokerage asset management plan, money funds, bond funds and deposits, and generates return higher than income from bank deposit for the same period while having their risk under control. Based on past cooperation experiences, CSSC Finance makes prudent investments and has not been unable to make payment at lowest annual rate of return.

SECTION VI SIGNIFICANT EVENTS

2. Entrusted loans

(1) Overview of entrusted loans

Type	Source of funding	Amount incurred	Outstanding balance	Amount overdue unrecovered
Internal working capital loans of the Group	Self-owned funds	1,175,000,000.00	840,000,000.00	-

Unit: Yuan Currency: RMB

(2) Individual entrusted loans

Tinsete	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC France	Consolidation of internal working capital loans of subsidiaries	185,000,000.00	2018/1/18	2021/1/17	Self-owned funds	Replenishment of working capital of Huangpu Werdong	1.76%	-	18,919,333.33	185,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2019/5/17	2021/5/16	Self-owned funds	Replenishment of working capital of Huangpu Werdong	1.76%	-	3,680,000.00	50,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2018/6/7	2022/6/6	Self-owned funds	Replenishment of working capital of Huarghuar Cosen Engineering	0.01%	-	-	-	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	150,000,000.00	2019/8/23	2022/8/23	Self-owned funds	Replenishment of working capital of Wenchuan Industrial	3.03%	13,700,000.00	10,762,500.00	-	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2019/9/5	2022/9/5	Self-owned funds	Replenishment of working capital of Wenchuan Industrial	3.51%	3,196,666.67	2,473,333.33	-	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	100,000,000.00	2020/3/18	2021/7/8	Self-owned funds	Replenishment of working capital of Wenchuan Industrial	3.61%	4,770,000.00	4,770,000.00	100,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2020/3/26	2023/3/17	Self-owned funds	Replenishment of working capital of Wenchuan Industrial	3.61%	5,450,000.00	3,225,000.00	-	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2020/3/31	2023/3/17	Self-owned funds	Replenishment of working capital of Wenchuan Industrial	3.61%	5,465,000.00	3,200,000.00	-	Yes	Yes	-

Unit: Yuan Currency: RMB

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2020/12/25	2023/3/17	Self-owned funds	Replenishment of working capital of Wenchuan Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.60%	4,060,000.00	1,850,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	100,000,000.00	2020/6/30	2023/6/29	Self-owned funds	Replenishment of working capital of Huangchuan Ocean Engineering	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	100,000,000.00	2020/7/30	2023/6/29	Self-owned funds	Replenishment of working capital of Huangchuan Ocean Engineering	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	280,000,000.00	2021/3/24	2024/3/23	Self-owned funds	Replenishment of working capital of Wenchuan Industrial	Payment of interest on a quarterly basis and principal upon maturity	3.60%	30,660,000.00	7,866,000.00	-	Yes	Yes	-

Description:

1. In the table above, the “expected return” represents the total returns expected to be obtained during the term of loan, and the “actual gain or loss” represents the gains or losses obtained or incurred as agreed under the contract during the elapsed period of loan.
2. In order to support the operation and development of subsidiaries and supplement working capital for production and operation, the Group provided entrusted loans to relevant subsidiaries with the CSSC Finance as the entrusted financial institution. During the Reporting Period, the Group’s entrusted loans (daily maximum balance) amounted to RMB1,175 million with an outstanding balance was RMB840 million, which was the entrusted loans within the consolidation scope and the gain or loss from which have been internally offset, and therefore, the “expected income” and “actual income or loss” at the consolidation level of the Group were both nil.

SECTION VI SIGNIFICANT EVENTS

VII. OTHERS

1. Reserves

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

2. Property, plant and equipment

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

3. Bank loans and other loans

Details of the Company's bank loans and other loans as at 31 December 2021 are set out in notes to financial statements.

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

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

5. Gearing ratio

As at 31 December 2021, the Company's gearing ratio was 57.82%.

The calculation formula of the gearing ratio: $\text{total liabilities} \div \text{total assets} \times 100\%$

6. Pre-emptive right

Under the Articles of Association and PRC laws, there are no requirements under which the Company is required to issue new shares to its existing shareholders in proportion to their shareholding.

7. Service contracts with Directors and Supervisors

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

8. Remuneration of Directors and Supervisors

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

9. Directors' and Supervisors' interest in contracts

During the financial year ended 31 December 2021, none of the Company or any of its subsidiaries has entered into any contract which has significant effect on the Company's business, in which Directors or Supervisors have direct or indirect significant interest and which is still in effect during the financial year ended 31 December 2021.

10. Directors' interest in competing business

No Directors have any interest in any competing business.

11. Management contracts

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2021.

12. Major customers and suppliers

For the year ended 31 December 2021, the Group's purchases from its top five suppliers amounted to RMB5,780.1561 million in total, representing 55.75% of the total purchases for the year. The largest supplier of the Company is CSSC, the controlling shareholder of the Company and its subsidiaries and associates (also controlled by China Shipbuilding Group), from which the Company purchased RMB5,349.4068 million, representing approximately 51.6% of the total sales for the year.

For the year ended 31 December 2021, the Group's sales to top five customers amounted to RMB7,556.2655 million in total, representing 65.97% of the Group's total sales for the year, of which sales to the largest customer amounted to RMB4,941.7733 million, representing 43.14% of the Group's total sales for the year.

During the year, other than the largest supplier who is a connected person of the Company and so far as the Directors are aware, none of the Directors, close associates of the Directors or shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had any interest in the five largest suppliers or customers of the Company during the year.

13. Significant investment

Name of the investment enterprise	Principal activities	Number of shares held	Percentage of shares held	Investment cost	As at the end of the Reporting Period		During the Reporting Period	
					Fair value	Percentage of total company assets	Change in fair value	Dividend income recognised
CSSC Holdings	Invest in marine industry and diesel engine production industry, civil ship sales, manufacturing, installation and sales of special equipment for ships and electromechanical equipment, and technology development, technology transfer, technical services and technical consulting in marine technology field, and it also engages in import and export of goods and technology as well as free equipment rental.	217,494,916 A shares	4.86%	RMB2,857,883,200	RMB5,391,699,000	12.18%	RMB1,544,213,900	RMB7,612,300

In 2020, the Company completed a joint restructuring project with CSSC Holdings, disposing of 27.4214% of the equity interest in GSI, the Company's original holding subsidiary, and acquiring 217,494,916 A shares in a non-public issue of CSSC Holdings, subject to a restricted period of three years (from 30 March 2020 to 30 March 2023). The Company may dispose of the aforesaid A shares at an opportune time in accordance with its business development, strategic positioning and the trend of the secondary market. Through the joint restructuring project, CSSC Holdings has increased its registered capital and its market capitalisation is expected to be significantly improved, which is beneficial to the enhancement of the Company's shareholders' equity.

14. Permitted indemnity for directors

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

15. Environmental, Social and Governance Report

The Company has prepared the Environmental, Social and Governance ("ESG") Report, which contains our environmental, social and governance data for 2021, and has complied with the environmental, social and governance guidelines of the Listing Rules. The Chinese version and the English version of the ESG report for the year 2021 have been published on the websites of the Shanghai Stock Exchange (www.sse.com) and the Hong Kong Stock Exchange (www.hkexnews.com) and the Company (comec.cssc.net) on 30 March 2022 and 29 April 2022 respectively.

16. Remuneration policies

As of 31 December 2021, the total number of employees of the Group was 7,465. The remuneration of employees has been determined based on the complexity and responsibility of their positions and their work performance. The remuneration of Directors, Supervisors and senior management of the Company is determined in accordance with the Proposal for Remuneration for the Tenth Session of Directors, Supervisors and Senior Management.

17. Retirement and employee benefit plans

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

18. Audit Committee

The Audit Committee of the Company has reviewed the Group's annual results for 2021 and the financial statements for the year ended 31 December 2021 prepared under the Accounting Standards for Business Enterprises in the PRC.

SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

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

II. SHAREHOLDERS AND ACTUAL CONTROLLERS

(i) Total number of shareholders

Total number of ordinary shareholders at the end of the Reporting Period	89,455
Total number of ordinary shareholders as at the end of the month preceding the date of publication of annual report	104,110

(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	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restriction	Pledged or frozen		Shareholder Nature
					Share status	Number	
HKSCC Nominees Limited	129,800	589,358,888	41.69	0	Nil	0	Overseas legal person
China State Shipbuilding Corporation Limited	-4,350,000	481,337,700	34.05	0	Nil	0	State-owned legal-person
Yangzhou Kejin Shipyard Co., Ltd.	0	4,599,086	0.33	0	Pledged	4,300,000	Domestic non-state-owned legal person
China Construction Bank Corporation-Guotai China Securities Military Index Trading Open Index Securities Investment Fund	457,803	3,427,513	0.24	0	Nil	0	Others
Xi'an Investment Holding Co., Ltd.	0	3,001,159	0.21	0	Nil	0	State-owned legal person
Shenzhen Chongfu Zhaoye Financial Management Company Limited - Chongfu Fuxing No. 13 Private Equity Investment Fund	2,785,700	2,785,700	0.20	0	Nil	0	Others
Southern Fund Steady Plus Value-Added Pension Product - China Merchants Bank Co., Ltd.	2,772,200	2,772,200	0.20	0	Nil	0	Domestic non state-owned legal person
Guan Haiguo	2,309,200	2,309,200	0.16	0	Nil	0	Domestic legal person
Shenzhen Chongfu Zhaoye Financial Management Company Limited - Chongfu Fuxing No. 5 Private Equity Investment Fund	2,197,414	2,197,414	0.16	0	Nil	0	Others
China Construction Bank Corporation - Fullgoal China Securities Military Index Grading Securities Investment Fund	-1,067,400	2,095,758	0.15	0	Nil	0	Others

SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

Top ten shareholders of shares not subject to selling restrictions

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	589,358,888	Overseas listed foreign shares	589,358,888
China State Shipbuilding Corporation Limited	481,337,700	Ordinary shares denominated in RMB	481,337,700
Yangzhou Kejin Shipyard Co., Ltd.	4,599,086	Ordinary shares denominated in RMB	4,599,086
China Construction Bank Corporation-Guotai China Securities Military Index Trading Open Index Securities Investment Fund	3,427,513	Ordinary shares denominated in RMB	3,427,513
Xian Investment Holding Co., Ltd.	3,001,159	Ordinary shares denominated in RMB	3,001,159
Shenzhen Chongfu Zhaoye Financial Management Company Limited - Chongfu Fuxing No. 13 Private Equity Investment Fund	2,785,700	Ordinary shares denominated in RMB	2,785,700
Southern Fund Steady Plus Value-Added Pension Product - China Merchants Bank Co., Ltd.	2,772,200	Ordinary shares denominated in RMB	2,772,200
Guan Haiguo	2,309,200	Ordinary shares denominated in RMB	2,309,200
Shenzhen Chongfu Zhaoye Financial Management Company Limited - Chongfu Fuxing No. 5 Private Equity Investment Fund	2,197,414	Ordinary shares denominated in RMB	2,197,414
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	2,095,758	Ordinary shares denominated in RMB	2,095,758
Description of repurchase accounts among the top ten shareholders	–		
Explanation of the above-mentioned shareholders' right to vote by proxy, proxy and abstention from voting	–		
Explanation on the relationship or acting in concert among the aforesaid shareholders	–		
Explanation on shareholders of preference shares with restoration of voting rights and their shareholding	–		

SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

III. CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS

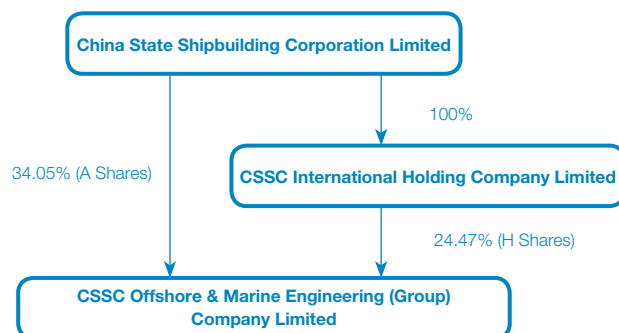
(i) Controlling shareholders

1. Legal persons

Name	China State Shipbuilding Corporation Limited
The person in charge of the unit or legal representative	Lei Fanpei
Date of establishment	29 June 1999
Principal businesses	State-owned assets investment and management, industrial investment, investment management within the scope of authorisation of the State Council; research and development, design, production, sale and maintenance services; research and development, design, manufacture, repair, lease, management of ships, offshore engineering and marine transportation, marine development, marine protection equipment; research and development, design, manufacture, repair, lease, management of large engineering equipment, power equipment, mechanical and electrical equipment, information and control products; import and export of goods and technology, domestic trading; completed equipment warehousing logistics, exploration, development and investment management of complete equipment, ship leasing business, liner investment and management; survey and design, project contracting, project construction, construction and installation, project supervision business. Development, transfer and consulting of military technology, civil technology and technology for both military and civil uses, technical services, investment in and management of technical training business.
Shareholdings in other domestic and overseas listed companies of which it has holding rights and jointstocks during the Reporting Period	As of 31 December 2021, the Company directly and indirectly held a total of 50.42% equity interest in China CSSC Holdings Limited, and directly and indirectly held a total of 41.28% equity interest in CSSC Science & Technology Co., Ltd., and indirectly held a total of 75% equity interest in its CSSC (Hong Kong) Shipping Company Limited
Notes on other matters	CSSC and CSSC International entered into the Parties Acting in Concert Agreement on 28 September 2018, in which it was agreed that CSSC International shall authorise CSSC to exercise its shareholder's rights so far as CSSC remains the controlling shareholder or actual controller of CSSC International (For details, please refer to the Announcement in relation to the Entering into the Parties Acting in Concert Agreement by Substantial Shareholders of the Company published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Company on 28 September 2018).

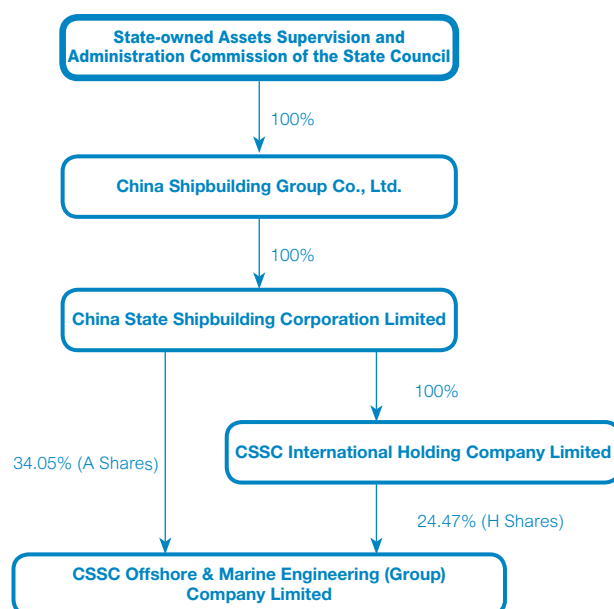
SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

2. Ownership and controlling relationship between the Company and controlling shareholders



(ii) Information on actual controllers

Ownership and controlling relationship between the Company and actual controllers



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

Unit: Hong Kong dollars in ten thousand

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

SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

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

As at 31 December 2021, the following persons (other than Directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "SFO") or are required to be entered in the register to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of long positions held (share)	Capacity	Approximate shareholding percentage of issued H Shares (%)	Approximate shareholding percentage of issued A Shares (%)	Percentage of total issued share capital (%)
China State Shipbuilding Corporation Limited	A Shares	481,337,700(L)	Beneficial owner	–	58.60	34.05
CSSC International Holding Company Limited	H Shares	345,940,890 (L)	Beneficial owner	58.43	–	24.47

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 31 December 2021.

VI. DIRECTORS' AND SUPERVISORS' INTEREST

As at 31 December 2021, none of the Directors, Supervisors and chief executive of the Company has any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be recorded in the register required to be kept under Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers.

VII. OTHER INFORMATION

(i) Warrants and others

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

(ii) Public float of H shares

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

(iii) Related Party Transactions

Details of related party transactions of the Group for 2021 are set out in note 10 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules of the Stock Exchange, except for the transactions described in Section VI "Significant Events" of this Report, in respect of which the disclosure requirements of Chapter 14A of the Listing Rules of the Stock Exchange have been complied with.



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AUDITORS' REPORT

XIN KUI SHI BAO ZI [2022] No. ZA90126

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

I. AUDITORS' OPINION

We have audited the financial statements of CSSC Offshore & Marine Engineering (Group) Company Limited ("COMEC" or the "Group"), which comprise the consolidated and the Company's balance sheets as at 31 December 2021, the consolidated and the Company's income statements, the consolidated and the Company's cash flows statements and the consolidated and the Company's statements of changes in owners' equity for 2021 and the relevant notes to the financial statements.

In our opinion, the accompanying financial statements of COMEC present fairly, in all material aspects, COMEC's and consolidated financial position as at 31 December 2021 and its and consolidated results of operations and cash flows for the year 2021 in accordance with the Accounting Standards for Business Enterprises.

II. BASIS FOR AUDITORS' OPINION

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

III. KEY AUDIT MATTERS

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

SECTION VIII FINANCIAL REPORT

Key audit matters identified in our audit are summarised as follows:

(I) Recognition of revenue from the fulfilment of obligations

Key Audit Matters

Recognition of revenue from the fulfilment of obligations	How the matter is addressed in auditing
---	---

(1) COMEC principally engages in building of large ships and offshore engineering products, ship maintenance. As shown in Note III.(26), the Group adopts the input method(i.e. determining the appropriate progress of performance based on the total actual contract cost incurred in proportion to the total expected contract cost) on shipbuilding, offshore engineering products and other products to recognize the revenue based on the progress of performance. As shown in Note V.(49)3, CDMEC recognizes a revenue of RMB 10.785 billion, representing 92.40% of operating income. The amount and its proportion to the operating income are relatively significant and involve accounting estimates of the Management.	Obtain an understanding of the key internal controls that related to revenue recognition, evaluate the design of such controls, confirm whether they are implemented, and test the application operational effectiveness of the relevant internal controls;
(2) Revenue recognized by the adoption of the input method involves significant judgement and estimates of the Management. Such estimates are affected by the impact of future market and the judgement on economic situation, thus may affect whether the Group recognizes revenue based on the progress of performance during the appropriate Reporting Period. As such, we considered the revenue based on contract performance progress as a key audit matter.	Inspect the contracts of shipbuilding and offshore engineering businesses, obtain an understanding of the principal contract terms, and evaluate whether the revenue recognition method (including judging whether the performance obligation is performed within a certain period of time and adopting the input method to determine the progress of performance) is appropriate;
(3)	Carry out the analysis of procedure for the gross profit margin of the contracts of shipbuilding and offshore engineering businesses in terms of the year and project, identify whether there is significant or abnormal fluctuation, and identify the reasons of such fluctuation;
(4)	Select important shipbuilding and offshore engineering businesses contracts, check the cost budget, purchase contracts, subcontracts and other documents on which the expected total cost is based, and evaluate the reasonableness of the expected total cost assessed by the management;
(5)	Inspect supporting documents that related to actual project cost on a sample basis, including purchase contracts, subcontracts, purchase invoices, warehousing entry, receipt of acceptance, progress confirmation document and Subcontractor's statement;
(6)	Test the accuracy of management's calculations of the progress of performance and revenue recognised in accordance with the progress of performance;
(7)	Check that whether the information relating to operating income is properly presented in the financial statements.

IV. OTHER INFORMATION

The management of COMEC (the management) is responsible for the other information. The other information comprises the information included in the 2021 annual report of of its A shares and H shares of COMEC, but does not include the financial statements and our auditor's report thereon. We have obtained the 2021 annual report for A shares prior to the audit report date and the 2021 annual report for H shares is expected to be provided to us after the audit report date.

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

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

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

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

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

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

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

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

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

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

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

SECTION VIII FINANCIAL REPORT

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

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

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

BDO China
Shu Lun Pan
Certified Public
Accountants LLP

Shanghai, the PRC

Certified Public Accountant of China:
Liang Qianhai
(Project Partner)

Certified Public Accountant of China:
Lu Li

30 March 2022

(This signature and seal page is for the exclusive use of CSSC Offshore & Marine Engineering (Group) Company Limited - Report XIN KUAI SHI BAO ZI [2022] No. ZA90126 and shall not be used for any other purpose.)

CONSOLIDATED BALANCE SHEET

31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Assets	Notes	31 December 2021	31 December 2020
Current assets:			
Cash at bank and on hand	V(1)	9,560,403,363.57	8,767,750,124.49
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading	V(2)	3,281,028,607.57	1,055,191,244.71
Derivative financial assets			
Notes receivable	V(3)	82,331,260.05	161,625,007.63
Accounts receivable	V(4)	1,077,732,663.76	1,244,416,936.61
Receivable financing	V(5)	192,855,840.34	
Prepayments	V(6)	2,149,658,651.91	1,218,386,548.91
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contracts receivable			
Other receivables	V(7)	94,550,370.96	132,470,963.43
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	V(8)	4,922,901,059.95	4,199,310,024.12
Contract assets	V(9)	2,542,443,559.33	4,445,388,926.29
Assets held for sale			
Non-current assets due within one year			
Other current assets	V(10)	177,819,458.91	577,884,115.75
Total current assets		24,081,724,836.35	21,802,423,891.94
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables	V(11)	2,371,139,998.94	1,996,607,880.36
Long-term equity investments	V(12)	4,952,678,909.18	4,938,277,647.10
Investments in other equity instruments	V(13)	5,480,001,529.79	3,923,780,494.34
Other non-current financial assets			
Investment properties	V(14)	142,724,056.62	149,261,481.66
Fixed assets	V(15)	4,740,631,472.84	3,952,299,253.50
Construction in progress	V(16)	229,186,214.27	348,779,440.60
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V(17)	189,367,500.07	116,000,602.24
Intangible assets	V(18)	933,616,499.15	918,938,540.79
Development expenses	V(19)		
Goodwill			
Long-term prepaid expenses	V(20)	51,236,644.02	21,210,225.34
Deferred tax assets	V(21)	365,036,681.11	380,087,605.36
Other non-current assets	V(22)	728,064,530.20	389,850,209.29
Total non-current assets		20,183,684,036.19	17,135,093,380.58
Total assets		44,265,408,872.54	38,937,517,272.52

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED BALANCE SHEET

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	Notes	31 December 2021	31 December 2020
Current liabilities:			
Short-term borrowings	V(23)	1,914,936,125.56	2,049,871,666.70
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading			
Derivative financial liabilities			
Notes payable	V(24)	2,524,645,592.26	2,292,202,595.08
Accounts payable	V(25)	5,851,878,752.31	5,587,133,569.37
Advances from customers	V(26)		7,855,200.00
Contract liabilities	V(27)	9,348,839,525.55	5,172,239,729.14
Securities sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	V(28)	361,255.50	851,463.48
Taxes payable	V(29)	35,046,259.47	26,054,822.85
Other payables	V(30)	185,245,553.74	158,810,463.41
Including: Interest payable			
Dividends payable	V(30)	312,941.09	304,042.49
Fee and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	V(31)	951,219,195.92	2,884,252,298.08
Other current liabilities	V(32)	202,747,908.16	319,331,239.99
Total current liabilities		21,014,920,168.47	18,498,603,048.10
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	V(33)	3,189,417,299.77	2,117,721,642.34
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	V(34)	169,778,977.55	96,494,152.25
Long-term payables			
Long-term employee benefits payable	V(35)	152,165,220.45	166,642,915.39
Estimated liabilities	V(36)	117,524,817.28	146,653,315.33
Deferred income	V(37)	89,607,608.17	78,742,779.90
Deferred tax liabilities	V(21)	664,220,819.92	281,517,181.48
Other non-current liabilities	V(38)	196,955,482.65	
Total non-current liabilities		4,579,670,225.79	2,887,771,986.69
Total liabilities		25,594,590,394.26	21,386,375,034.79

CONSOLIDATED BALANCE SHEET

31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Assets	Notes	31 December 2021	31 December 2020
Owners' equity:			
Share capital	V(39)	1,413,506,378.00	1,413,506,378.00
Other equity instruments Including: Preference shares Perpetual bonds			
Capital reserve	V(40)	9,393,552,318.37	9,309,822,030.75
Less: Treasury shares			
Other comprehensive income	V(41)	1,863,752,512.56	699,020,433.90
Special reserve	V(42)		
Surplus reserve	V(43)	1,042,398,235.53	1,035,952,912.65
Provision for general risks			
Retained Earnings	V(44)	1,811,537,356.69	1,973,789,791.39
Total equity attributable to shareholders of the Company		15,524,746,801.15	14,432,091,546.69
Minority interests	V(45)	3,146,071,677.13	3,119,050,691.04
Total equity		18,670,818,478.28	17,551,142,237.73
Total liabilities and equity		44,265,408,872.54	38,937,517,272.52

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

BALANCE SHEET OF THE COMPANY

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

Assets	Notes	31 December 2021	31 December 2020
Current assets:			
Cash at bank and on hand	XV(1)	985,746,117.67	743,639,395.39
Financial assets held-for-trading	XV(2)	600,411,000.00	672,125,000.00
Derivative financial assets			
Notes receivable			
Accounts receivable	XV(3)	16,382,059.52	537,928.20
Receivable financing			
Prepayments	XV(4)		603,475.71
Other receivables	XV(5)	301,242.19	261,726.58
Including: Interest receivable			
Dividends receivable			
Inventories	XV(6)	24,909,034.04	18,364,424.20
Contract assets			
Assets held for sale			
Non-current assets due within one year	XV(7)		835,538,777.80
Other current assets	XV(8)	21,215,192.31	42,669,414.34
Total current assets		1,648,964,645.73	2,313,740,142.22
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XV(9)	6,351,976,696.47	6,338,975,578.23
Investments in other equity instruments	XV(10)	5,391,698,967.64	3,847,485,064.04
Other non-current financial assets			
Investment properties	XV(11)	142,724,056.62	149,261,481.66
Fixed assets	XV(12)	4,575,092.24	229,803,957.90
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets	XV(13)	75,849.49	986,041.81
Intangible assets			
Development expenses			
Goodwill			
Long-term prepaid expenses	XV(14)	28,836.15	374,871.51
Deferred tax assets			
Other non-current assets			
Total non-current assets		11,891,079,498.61	10,566,886,995.15
Total assets		13,540,044,144.34	12,880,627,137.37

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

BALANCE SHEET OF THE COMPANY

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	Notes	31 December 2021	31 December 2020
Current liabilities:			
Short-term borrowings			
Financial liabilities held-for-trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	XV(16)	33,925,784.09	148,524,497.33
Advances from customers	XV(17)		7,855,200.00
Contract liabilities	XV(18)	23,764,409.51	15,419,870.53
Employee benefits payable	XV(19)		
Taxes payable	XV(20)	410,928.33	757,913.38
Other payables	XV(21)	409,568.47	443,067.26
Including: Interest payable			
Dividends payable	XV(21)	312,941.09	304,042.49
Liabilities held for sale			
Non-current liabilities due within one year	XV(22)	86,381.44	601,303,114.39
Other current liabilities			
Total current liabilities		58,597,071.84	774,303,662.89
Non-current liabilities:			
Long-term borrowings	XV(23)		
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	XV(24)		86,381.44
Long-term payables			
Estimated liabilities			
Deferred income			
Deferred tax liabilities	XV(15)	633,556,691.91	247,931,716.01
Other non-current liabilities			
Total non-current liabilities		633,556,691.91	248,018,097.45
Total liabilities		692,153,763.75	1,022,321,760.34
Owners' equity:			
Share capital	XV(25)	1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	XV(26)	8,436,541,414.86	8,436,074,569.57
Less: Treasury shares			
Other comprehensive income	XV(27)	1,897,973,747.33	738,114,305.04
Special reserve			
Surplus reserve	XV(28)	558,920,035.56	552,474,712.68
Retained earnings	XV(29)	540,948,804.84	718,135,411.74
Total equity		12,847,890,380.59	11,858,305,377.03
Total liabilities and equity		13,540,044,144.34	12,880,627,137.37

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED INCOME STATEMENT

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2021	2020
I. Total operating income		11,671,593,523.47	11,608,460,726.70
including: Operating income	V(49)	11,671,593,523.47	11,608,460,726.70
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		11,687,911,735.46	12,021,269,233.27
Including: Operating cost	V(49)	10,477,171,518.32	10,854,785,939.26
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	V(50)	18,121,725.13	25,301,399.10
Selling expenses	V(51)	131,968,833.27	14,080,756.77
Administrative expenses	V(52)	483,915,651.95	512,913,683.78
Research and development expenses	V(53)	617,470,169.63	590,364,430.98
Finance cost	V(54)	-40,736,162.84	23,823,023.38
Including: Interest expenses	V(54)	132,092,572.69	155,840,699.34
Interest income	V(54)	254,500,693.52	253,973,437.90
Add: Other income	V(55)	109,508,808.13	192,630,357.95
Investment income (loss expressed with "-")	V(56)	40,205,723.66	3,857,610,727.86
Including: Income from investment in associates and joint ventures	V(56)	11,966,548.56	103,150,875.19
Derecognition income of financial assets measured at amortised cost			
Exchange gain (loss expressed with "-")			
Net gain on exposure hedging (loss expressed with "-")			
Gain on change in fair value (loss expressed with "-")	V(57)	101,349,211.43	212,427,890.50
Loss on impairment of credit (loss expressed with "-")	V(58)	-36,905,728.89	48,236,347.81
Loss on impairment of assets (loss expressed with "-")	V(59)	-99,044,532.95	-277,340,070.94
Gains from disposal of asset (loss expressed with "-")	V(60)	5,363,414.13	-12,675,578.87
III. Operating profit (loss expressed with "-")		104,158,683.52	3,608,081,167.74
Add: Non-operating income	V(61)	18,758,139.54	47,747,243.30
Less: Non-operating expenses	V(62)	7,767,943.26	4,130,749.57
IV. Total profit (total loss expressed with "-")		115,148,879.80	3,651,697,661.47
Less: Income tax expense	V(63)	10,959,588.14	24,867,464.58
V. Net profit (net loss expressed with "-")		104,189,291.66	3,626,830,196.89
(i) By continuity of operations			
1. Net profit from continuing operations (net loss expressed with "-")		104,189,291.66	430,389,868.30
2. Net profit from discontinued operations (net loss expressed with "-")			3,196,440,328.59
(ii) By ownership			
1. Net profit attributable to shareholders of the Company (net loss expressed with "-")		79,387,401.00	3,662,334,382.03
2. Gain or loss attributable to minority interests (net loss expressed with "-")		24,801,890.66	-35,504,185.14

CONSOLIDATED INCOME STATEMENT

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2021	2020
VI. Net other comprehensive income after tax		1,168,225,697.65	735,104,537.34
Net other comprehensive income after tax attributable to owners of the Company		1,164,179,624.59	737,356,668.62
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss		1,165,034,081.59	738,848,479.10
1. Change in remeasurement of defined benefit plans		-248,025.15	-308,722.38
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		1,146,560.52	-1,977,674.93
3. Change in fair value of investments in other equity instruments		1,164,135,546.22	741,134,876.41
4. Change in fair value of own credit risk			
(ii) Other comprehensive income that will be subsequently reclassified to profit or loss		-854,457.00	-1,491,810.48
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		-854,457.00	-1,491,810.48
7. Others			
Net other comprehensive income after tax attributable to minority interests		4,046,073.06	-2,252,131.28
VII. Total comprehensive income		1,272,414,989.31	4,361,934,734.23
Total comprehensive income attributable to owners of the Company		1,243,567,025.59	4,399,691,050.65
Total comprehensive income attributable to minority interests		28,847,963.72	-37,756,316.42
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.0562	2.5910
(II) Diluted earnings per share (RMB/share)		0.0562	2.5910

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

INCOME STATEMENT OF THE COMPANY

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2021	2020
I. Operating income	<i>XV(33)</i>	44,352,320.90	110,821,401.70
Less: Operating cost	<i>XV(33)</i>	37,206,427.19	102,936,924.00
Taxes and surcharges	<i>XV(34)</i>	1,444,610.97	5,363,239.05
Selling expense	<i>XV(35)</i>		279,731.32
Administrative expense	<i>XV(36)</i>	19,853,810.46	20,325,401.28
Research and development expense			
Finance cost	<i>XV(37)</i>	-22,662,801.88	-22,456,495.82
Including: Interest expense	<i>XV(37)</i>	6,301,151.93	13,724,497.29
Interest income	<i>XV(37)</i>	29,670,564.50	36,198,104.00
Add: Other income	<i>XV(38)</i>	10,973.41	104,845.59
Investment income (loss expressed with "-")	<i>XV(39)</i>	23,979,623.53	1,684,845,922.01
Including: Income from investment in associates and joint ventures	<i>XV(39)</i>	11,387,712.43	10,852,184.29
Derecognition income of financial assets measured at amortised cost			
Net gain on exposure hedging (loss expressed with "-")			
Gain on change in fair value (loss expressed with "-")	<i>XV(40)</i>	15,684,000.00	2,125,000.00
Credit impairment loss (loss expressed with "-")	<i>XV(41)</i>	-384,234.43	-238,587.61
Asset impairment loss (loss expressed with "-")	<i>XV(42)</i>		-2,580,564.17
Gain on disposal of assets (loss expressed with "-")	<i>XV(43)</i>	16,196,374.12	-12,675,578.87
II. Operating profit (Loss expressed with "-")		63,997,010.79	1,675,953,638.82
Add: Non-operating income	<i>XV(44)</i>	27,718.01	46,985.38
Less: Non-operating expenses	<i>XV(45)</i>		37,025.01
III. Total profit (loss expressed with "-")		64,024,728.80	1,675,963,599.19
Less: Income tax expense	<i>XV(46)</i>	-428,500.00	20,531,250.00
IV. Net profit (Net loss expressed with "-")		64,453,228.80	1,655,432,349.19
(I). Net profit from continuing operations (net loss expressed with "-")		64,453,228.80	1,655,432,349.19
(II). Net profit from discontinued operations (net loss expressed with "-")			
V. Net other comprehensive income after tax		1,159,306,988.22	740,005,879.84
(I) Other comprehensive income that may not be subsequently reclassified to profit or loss			
1. Change in remeasurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		1,146,560.52	-2,195,518.19
3. Change in fair value of investments in other equity instruments		1,158,160,427.70	742,201,398.03
4. Change in fair value of credit risks of own credit risks			
(II) Other comprehensive income that will be subsequently reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investment			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Provision of credit impairment of other debt			
5. Cash flow hedges reserve			
6. Exchange differences arising from translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		1,223,760,217.02	2,395,438,229.03
VII. Earnings per share			
(i) Basic earnings per share			
(ii) Diluted earnings per share			

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED CASH FLOW STATEMENT

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2021	2020
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		17,986,787,852.39	12,701,384,937.57
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		643,932,919.39	345,786,752.35
Other cash receipts relating to operating activities	V(70)	924,056,761.97	604,464,132.32
Sub-total of cash inflows from operating activities		19,554,777,533.75	13,651,635,822.24
Cash paid for goods and services		13,390,652,916.20	13,050,575,441.50
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		1,177,701,721.46	1,104,648,371.79
Payments of taxes		28,021,435.94	79,255,904.78
Other cash payments relating to operating activities	V(70)	593,217,266.58	441,563,525.14
Sub-total of cash outflows from operating activities		15,189,593,340.18	14,676,043,243.21
Net cash flows from operating activities		4,365,184,193.57	-1,024,407,420.97
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		1,204,000,000.00	2,447,000,680.00
Cash receipts from investment income		149,720,736.67	20,526,297.04
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,091,101.55	5,423,297.25
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	V(70)	358,553,107.42	2,573,106,643.15
Sub-total of cash inflows from investing activities		1,715,364,945.64	5,046,056,917.44
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		293,665,566.01	455,564,930.47
Cash paid for investments		3,451,375,210.48	2,285,863,170.41
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	V(70)	1,352,266,061.25	5,764,627,360.28
Sub-total of cash outflows from investing activities		5,097,306,837.74	8,516,761,878.85
Net cash flows from investing activities		-3,381,941,892.10	-3,470,704,961.41

CONSOLIDATED CASH FLOW STATEMENT

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2021	2020
III. Cash flows from financing activities:			
Cash receipts from receiving investments		7,534.52	
Including: Cash received by subsidiaries from receiving investments made by minority interest		7,534.52	
Cash receipts from borrowings obtained		3,642,998,132.80	4,984,337,446.91
Other cash receipts relating to financing activities	V(70)	83,200,000.00	60,000,000.00
Sub-total of cash inflows from financing activities		3,726,205,667.32	5,044,337,446.91
Cash paid for repayment of debts		4,631,400,000.00	5,339,372,119.50
Cash paid for dividends, profit distribution or interest expenses		357,372,134.01	155,521,616.39
Including: Dividends and profits paid by subsidiaries to minority interests			568,544.37
Other cash payments relating to financing activities	V(70)	3,249,100.65	5,954,257.75
Sub-total of cash outflows from financing activities		4,992,021,234.66	5,500,847,993.64
Net cash flows from financing activities		-1,265,815,567.34	-456,510,546.73
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-19,732,285.47	-12,500,753.57
V. Net increase in cash and cash equivalents		-302,305,551.34	-4,964,123,682.68
Add: Beginning balance of cash and cash equivalents		5,719,367,108.31	10,683,490,790.99
VI. Ending balance of cash and cash equivalents		5,417,061,556.97	5,719,367,108.31

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CASH FLOW STATEMENT OF THE COMPANY

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2021	2020
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		28,950,419.51	98,860,549.51
Cash received from tax refund			147,240.00
Other cash receipts relating to operating activities	XV(52)	5,525,048.79	13,534,293.40
Sub-total of cash inflows from operating activities		34,475,468.30	112,542,082.91
Cash paid for goods and services		15,346,923.51	35,184,730.04
Cash paid to and on behalf of employees		11,604,586.04	12,575,433.39
Payments of taxes		1,990,737.97	17,709,140.15
Other cash payments relating to operating activities	XV(52)	10,576,398.80	68,558,055.65
Sub-total of cash outflows from operating activities		39,518,646.32	134,027,359.23
Net cash flows from operating activities		-5,043,178.02	-21,485,276.32
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		670,000,000.00	1,293,831,800.00
Cash receipts from investment income		29,989,911.10	4,051,068.49
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		255,674,667.18	
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	XV(52)	844,991,924.38	884,129,294.61
Sub-total of cash inflows from investing activities		1,800,656,502.66	2,182,012,163.10
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		128,699,180.14	61,946.90
Cash paid for investments		600,000,000.00	1,000,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities	XV(52)	500,000,000.00	486,201,250.62
Sub-total of cash outflows from investing activities		1,228,699,180.14	1,486,263,197.52
Net cash flows from investing activities		571,957,322.52	695,748,965.58
III. Cash flows from financing activities:			
Cash receipts from receiving investments			
Cash receipts from borrowings obtained			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		600,000,000.00	400,000,000.00
Cash paid for repayment of debts		241,204,084.54	13,937,916.67
Cash paid for dividends, profit distribution or interest expenses		1,085,009.00	1,004,937.14
Other cash payments relating to financing activities	XV(52)		
Sub-total of cash outflows from financing activities		842,289,093.54	414,942,853.81
Net cash flows from financing activities		-842,289,093.54	-414,942,853.81
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-644,113.51	-538.84
V. Net increase in cash and cash equivalents		-276,019,062.55	259,320,296.61
Add: Beginning balance of cash and cash equivalents		342,958,485.77	83,638,189.16
VI. Ending balance of cash and cash equivalents		66,939,423.22	342,958,485.77

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	2021										Total equity				
	Equity attributable to shareholders of the Company														
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Sub-total	Minority interests	
I. Ending balance of last year	1,415,506,378.00				9,309,822,000.75		699,020,433.90		1,065,952,912.65	1,065,952,912.65		1,973,769,791.39	14,432,091,546.69	3,119,050,691.04	17,551,142,237.73
Add: Changes in accounting policies															
Correction of previous errors															
Business contribution under common control															
Others															
II. Beginning balance of the year	1,415,506,378.00				9,309,822,000.75		699,020,433.90		1,065,952,912.65	1,065,952,912.65		1,973,769,791.39	14,432,091,546.69	3,119,050,691.04	17,551,142,237.73
III. Increased/decrease for the year (Decrease expressed with "+")					83,730,287.62		1,164,732,078.66		6,445,322.88	6,445,322.88		-162,252,494.70	1,092,655,254.46	27,092,988.09	1,119,676,240.55
(i) Total comprehensive income							1,164,732,078.66								
(ii) Capital paid in and reduced by shareholders					83,730,287.62		1,164,732,078.66					79,397,491.00	1,243,667,025.59	28,847,963.72	1,272,414,989.31
1. Ordinary shares paid by shareholders															
2. Capital paid by holders of other equity instruments															
3. Amount of share-based payments recognized in owners' equity															
4. Others					83,730,287.62								83,730,287.62	-1,826,977.63	81,903,309.99
(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															
1. Transfer in the year															
2. Utilisation in the year															
(vi) Others															
IV. Ending balance of the year	1,415,506,378.00				9,393,552,218.37		1,863,752,512.56		1,042,388,235.53	1,042,388,235.53		1,811,527,336.69	15,529,746,801.15	3,146,071,677.13	18,676,018,278.28

Person in charge of the Company:

Han Guangde

Person in charge of accounting:

Hou Zengquan

Head of accounting department:

Xie Weihong

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Equity attributable to shareholders of the Company										Minority interests	Total equity	
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks			Undistributed profit
I. Ending balance of last year	1413,503,378.00				9,418,941,779.55		-41,694,917.30	443,910.04	982,452,773.01	-1,605,383,084.53	10,148,256,838.77	5,389,466,849.10	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	1413,503,378.00				9,418,941,779.55		-41,694,917.30	443,910.04	982,452,773.01	-1,605,383,084.53	10,148,256,838.77	5,389,466,849.10	15,547,723,687.87
III. Increase/decrease for the year					-109,119,748.80		740,715,351.20	-443,910.04	73,501,139.64	3,579,182,875.92	4,283,894,707.92	-2,280,416,158.06	2,003,416,549.86
(Decrease expressed with "-")													
(i) Total comprehensive income							737,535,668.62	-685,223.05	-6,292,883.89		4,389,691,050.65	-37,756,516.42	4,351,894,734.23
(ii) Capital paid in and reduced by shareholders					-109,119,748.80						-118,007,655.75	-2,242,160,530.52	-2,360,178,286.27
1. Ordinary shares paid by shareholders													
2. Capital paid by holders of other equity instruments													
3. Amount of share-based payments recognized in owners' equity													
4. Others					-109,119,748.80								
(iii) Profit distribution					-109,119,748.80			-685,223.05	-6,292,883.89	-79,792,823.53	-79,792,823.53	-588,544.37	-588,544.37
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							3,538,682.38		-3,538,682.38				
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							241,313.02				241,313.02	892,832.25	330,536.27
1. Transfer in the year							21,816,322.60				21,816,322.60	17,620,689.82	38,944,332.42
2. Utilisation in the year							21,075,009.58				21,075,009.58	17,538,786.57	38,613,796.15
(vi) Others													
Ending balance of the year	1413,503,378.00				9,309,822,030.75		689,021,433.90	1,055,929,126.55	1,055,929,126.55	1,973,789,791.39	14,432,091,546.69	3,119,050,691.04	17,551,142,237.73

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	2021								Total equity		
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit
I. Ending balance of last year	1,413,506,378.00				8,436,074,589.57		738,114,305.04		552,474,712.88	718,135,411.74	11,858,935,377.03
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,413,506,378.00				8,436,074,589.57		738,114,305.04		552,474,712.88	718,135,411.74	11,858,935,377.03
III. Increase/Decrease for the year (Decrease expressed with "-")					466,845.29		1,159,859,442.29		6,445,322.88	-177,186,606.90	989,855,003.56
(i) Total comprehensive income					466,845.29		1,159,306,988.22		6,445,322.88	64,453,228.80	1,233,760,217.02
(ii) Capital paid in and reduced by shareholders											466,845.29
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					466,845.29				6,445,322.88	-241,087,381.63	466,845.29
1. Transfer to surplus reserve									6,445,322.88	-241,087,381.63	-234,642,058.75
2. Distribution to owners (or shareholders)									6,445,322.88	-6,445,322.88	
3. Others											
(iv) Transfer within owners' equity											
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
Others											
IV. Ending balance of the year	1,413,506,378.00				8,436,541,414.86		1,897,973,747.33		558,920,035.56	540,948,804.84	12,847,880,380.59

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2021

(All amounts in RMB Yuan unless otherwise stated)

Item	2020							Total equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Unistributed profit
I. Ending balance of last year	1,413,506,378.00				6,147,927,729.10				472,881,889.15	721,076,162.84	8,755,192,159.09
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				472,881,889.15	721,076,162.84	8,755,192,159.09
III. Increase/Decrease for the year (Decrease expressed with "-")											
(i) Total comprehensive income											
(ii) Capital paid in and reduced by shareholders											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments					2,288,146,840.47				79,792,823.53	-2,940,751.10	3,103,113,217.94
3. Amount of share-based payments recognised in owners' equity										1,635,432,349.19	2,395,436,229.03
4. Others					2,288,146,840.47					-1,578,580,276.76	707,874,988.91
(iii) Profit distribution											
1. Transfer to surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(iv) Transfer within owners' equity											
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
Others											
IV. Ending balance of the year	1,413,506,378.00				8,466,074,569.57				552,474,722.68	718,135,411.74	11,858,935,377.03

Person in charge of the Company:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

I. BASIC INFORMATION ON THE COMPANY

(I) General

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

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

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

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

According to the Replies on Approval of Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing (Zheng Jian Xu Ke [2015] No. 330) issued by the China Securities Regulatory Commission, on 8 April 2015, the Company placed 272,099,300 ordinary shares of RMB1 each to China State Shipbuilding Corporation Limited (“CSSC”) for purchase of CSSC’s 85% equity interest in CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”) and paid cash to CSSC for acquisition of 15% equity interest in Huangpu Wenchong; placed 68,313,338 ordinary shares of RMB1 each to Yangzhou Kejin Shipyard Co., Ltd. for purchase of its relevant shipbuilding assets; and placed 42,559,089 ordinary shares of RMB1 each to 7 specific investors. The registered capital upon change is RMB1,413,506,378.00.

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

On 29 December 2015, the Company received a new business license issued by Guangzhou Administration for Industry and Commerce (uniform social credit code: 91440101190499390U), with legal representative as Han Guangde and registered capital of RMB1,413,506,378.00.

The Company is engaged in the manufacturing of equipment for railways, ships, aerospace and other transportation facilities, and its scope of business is metal shipbuilding; marine equipment manufacturing; container manufacturing; metal structures manufacturing; metal pressure vessel manufacturing; mechanical parts processing; tempered glass manufacturing; cutting tool manufacturing; other furniture manufacturing; ship maintenance; general equipment repairs; engineering survey and design; machinery technology transfer services; interior decoration and design; water transport equipment rental services; container leasing services; machinery and equipment leasing; construction general contracting services; overseas dispatch of all kinds of labour service personnel (excluding seamen); provision of docks, barge anchorages, floats and other facilities for ships.

The Company’s controlling shareholder is CSSC which is a wholly state-owned company incorporated in the PRC, while the ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(II) Scope of the consolidated financial statements

The scope of consolidation of the Group's consolidated financial statements is determined on a control basis. The scope includes the Company and CSSC Huangpu Wenchong Shipbuilding Company Limited ("Huangpu Wenchong"), Guangzhou Wenchong Shipyard Co., Ltd ("Wenchong Shipyard"), Guangzhou Huangchuan Ocean Engineering Co., Ltd ("Huangchuan Ocean Engineering"), Guangzhou Wenchuan Heavy Industrial Co. Ltd. ("Wenchuan Industrial"), CSSC (Guangzhou) New Energy Co., Ltd. ("CSSC New Energy"), CSSC Industrial Internet Co., Ltd. ("CSSC Internet"), Zhanjiang Nanhai Ship Hi-Tech Services Ltd. ("Zhanjiang Nanhai"), Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd. ("Wenchong Bingshen"), Wah Shun International Marine Limited ("Wah Shun"), Wah Loong International Marine Limited ("Wah Loong"), Guangzhou Xingji Maritime Engineering Design Co., Ltd. ("Xingji"), HuaCheng (TianJin) Ship Leasing Co., Ltd. ("HuaCheng"), HuaXin (TianJin) Ship Leasing Co., Ltd. ("HuaXin"), Wah Sheng International Marine Limited ("Wah Sheng"), Wah Cheung International Marine Limited ("Wah Cheung"), Wah Hing International Marine Limited ("Wah Hing"), Wah Shui International Marine Limited ("Wah Shui") and Wah Yu International Marine Limited ("Wah Yu") and other 18 subsidiaries.

Each of the five wholly-owned subsidiaries invested and established by the Group on 15 January 2021, namely Wan Sheng, Wan Xiang, Wan Xing, Wan Rui and Wan Yu, has registered capital amounting to HK\$10,000.00. As at 31 December 2021, the Group has not made any contribution yet and the five subsidiaries had not yet commenced the corresponding operating activities.

For the relevant information on the subsidiaries of the Group, please refer to note "VII. Interest in Other Entities".

For details of the changes in the scope of the consolidated financial statements during the reporting period, see "Note VI, Changes in the Scope of Consolidation".

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

(2) Going Concern

The management of the Company has assessed its ability to operate on a continuing basis for the 12 months from 31 December 2021 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Notes on specific accounting policies and accounting estimates:

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

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared by the Company in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of the consolidated financial position and the parent company's financial position as at 31 December 2021, the consolidated operating results and cash flows and the parent company's operating results and cash flow for the period from January to December 2021.

2. Accounting period

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

3. Operating cycle

The Group's operating cycle is 12 months.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

4. Reporting currency

The Company and its domestic subsidiaries adopt RMB as the reporting currency. The Company's foreign subsidiaries determine their reporting currency based on the currency of the primary economic environment in which they operate. The currency adopted by the Group to prepare this financial statement is Renminbi ("RMB").

5. Accounting treatment methods 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.

1. Business combination under common control

A business combination under common control is one in which the enterprises participating in the combination are under the ultimate control of the same party or the same multiple parties before and after the combination, and such control is not temporary.

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. Intermediary fees such as auditing, legal services, appraisal and consulting, and other related administrative expenses incurred by the acquirer for the business combination are charged to the current profit or loss when incurred.

2. Business combination that are not under common control and goodwill

A business combination in which the enterprises involved in the combination are not under the ultimate control of the same party or the same multiple parties before and after the combination is a business combination that are not under common control.

The cost of the combination is the fair value of cash or non-cash assets paid, liabilities incurred or assumed, and equity instruments issued by the Group to obtain control over the acquiree at the date of purchase. Intermediary costs incurred by the acquirer for the business combination, such as audit, legal services, appraisal and consulting, and other related administrative expenses, are charged to the current profit or 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. Goodwill is recognised in the consolidated financial statements 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 as the non-operating revenue in the consolidated financial statements after review.

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. Methods of Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on a control basis. Control means that the Group has power over the investee, enjoys variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its returns. The Group reassesses the definition of control as described above once relevant facts and circumstances have changed resulting in a change in the relevant elements involved in the definition of control.

The consolidation of a subsidiary commences when the Group obtains control of the subsidiary and ends when the Group loses control of such subsidiary.

For subsidiaries disposed of by the Group, the results of operations and cash flows prior to the date of disposal (the date of loss of control) have been appropriately included in the consolidated income statement and the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

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

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

Shareholding acquired through different transactions in stages and obtained shareholding of the investee not under common control and finally become business combination, when preparing consolidated financial statements, for shareholding of the acquiree which was holding before the date of acquisition, have to be re-measured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, are changed to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

If the accounting policy or the accounting period adopted by any subsidiary differs from that adopted by the Group in preparation of the consolidated financial statements, necessary adjustments should be made to the subsidiary's financial statements according to the Group's accounting policy or accounting period.

All material internal transactions, balance of current accounts and unrealized profits in the consolidation scope should be offset in preparation of the consolidated statements.

The part not attributable to the parent company in the owners' equity of the subsidiary, current gains/losses, other consolidated income and the part attributable to minority interests in the total consolidated revenue should be respectively listed under "minority interests, minority losses and gains, other consolidated revenue attributable to minority shareholders and total consolidated revenue attributable to minority shareholders" in the consolidated financial statements.

The balance of the minority's share of losses of a subsidiary in excess of the minority's share of the subsidiary's ownership interest at the beginning of the year is still eliminated to reduce the minority's equity.

For the purchase of minority interest in a subsidiary, the transaction is accounted for as an equity transaction, and the book value attributable to the Company's ownership interest and minority interest is adjusted to reflect the change in its related interest in the subsidiary. The difference between the adjustment to minority interests and the fair value of the consideration paid is adjusted to capital surplus, and in case the capital reserve is insufficient for offset, retained earnings will be adjusted.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loss control through disposal of shareholding in subsidiaries belongs to a series of transactions, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary, shall be recognised as other comprehensive income, 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 of assets and liabilities. For assets transactions that are purchased or sale under joint operation that do not constitute business, assets and liabilities are recognised only when profit or loss incurred from that transaction attributable to the other parties under the joint operation.

The Group's investments in joint ventures and associates are accounted for by the equity method, see Long-term equity investments accounted for under the equity method.

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

When the Group translates the total revenue from foreign currency contracts, the amount to be converted into RMB includes the amounts received and uncollected, of which: the foreign currency received shall be translated at the amount of the reporting currency determined at the time of collection; the foreign currency uncollected shall be translated at the spot exchange rate (mid-rate) on the date of revenue recognition translated. When the Group tests the impairment of foreign currency sales contracts, the portion of the uncollected foreign currency revenue for which the exchange rate has been locked in using hedging instruments is translated at the locked-in exchange rate, and the portion for which the exchange rate has not been locked in is translated at the bank forward quotation rate. For transactions other than those mentioned above, the Group's foreign currency transactions are translated into RMB amounts at the spot exchange rate on the date of the transaction.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rate at the balance sheet date. The resulting translation differences are recognized directly in profit or loss for the current period, except for exchange differences arising from special borrowings in foreign currencies for the purpose of acquiring or producing assets eligible for capitalisation, which are treated in accordance with the principle of capitalisation. Non-monetary items measured in terms of historical cost in foreign currencies continue to be measured at the amount in the functional currency of account translated at the spot rate on the date of the transaction. Non-monetary items measured at fair value in foreign currencies are translated using the spot exchange rate at the date when the fair value was determined. The difference between the translated amount in the carrying amount in the functional currency and the original amount in the functional currency is treated as a change in fair value (including exchange rate changes) and recognized in profit or loss or other comprehensive income for the current period.

2. Translation of foreign currency financial statements

For the Group's foreign operations, the Group prepares its financial statements by translating the functional currency of accounts into RMB: assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; all items in the owner's equity category, except for "undistributed earnings", are translated at the spot exchange rate at the time of the transaction; income and expense items in the income statement are translated at the average of the spot exchange rates at the beginning and end of the year. The income and expense items in the income statement are translated at the average of the spot exchange rates at the beginning and end of the year. The translation differences arising from the above translation are recognized as other comprehensive income. Upon disposal of a foreign operation, the translation differences related to the foreign currency statement are transferred to profit or loss in the year of disposal, or partially disposed of in proportion to the disposal.

Cash flows in foreign currencies and cash flow items from foreign operations are translated at the average of the spot exchange rates at the beginning and end of the year. The amount of the effect of exchange rate changes on cash is presented separately in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

10. Financial instruments

When the Group becomes a party in the financial instrument contract, a financial asset, financial liability or equity instruments 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.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

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

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

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

2. Financial liabilities

(1) Classification of financial liabilities, recognition basis and method of measurement

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

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The Group classifies financial liabilities into financial liabilities at amortised cost, save for the following: (i) financial liabilities at fair value through profit or loss, including financial liabilities held-for-trading (including derivatives within the scope of financial liabilities) and financial liabilities designated at fair value through profit or loss, (ii) financial liabilities arising from the transfer of financial assets which do not meet the conditions for derecognition or the continued involvement in the transferred financial assets, (iii) financial guarantee contracts not falling under (i) or (ii) above, and loan commitments at a rate lower than market rate not falling under (i) above.

(2) Conditions for derecognition of financial liabilities

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Group and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made by the Group to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognised. And financial liabilities after term revision will be recognised as a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss for the period.

(3) Method for determination of fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities of the Group are measured by fair values of principal market to calculate fair values of financial assets and financial liabilities of the Group. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs used for fair value measurement are divided into three levels. Level 1 input is the unadjusted offer of the same asset or liability that is available on the measurement day in the active market; level 2 input is the input value that can be observed directly or indirectly of the relevant asset or liability other than those in level 1; level 3 input is the unobservable input of the relevant asset or liability. The Group uses level 1 inputs first and level 3 inputs last. In measuring fair value using valuation techniques, the Group uses level 1 inputs for the shares of listed companies held, level 2 inputs for forward exchange contracts, and level 3 inputs for investments in other equity instruments in non-listed companies. The level of the fair value measurement is determined by the lowest level of the input value which is of great significance to the whole of the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(4) Offsetting of financial assets and financial liabilities

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

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

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

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

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

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

11. Accounts receivable

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

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

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

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

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

- (1) For the receivables from related party, government and utility receivables of the Group without indication of impairment, the Group determines that no expected credit loss exists and no provision for bad debts is made.
- (2) The Group performs separate impairment tests for those receivables for which there is an indication of impairment, as well as for other receivables for which individual tests are applicable, 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.
- (3) For the accounts receivable which have not been tested individually, based on the actual credit loss for previous years and considering forwarding information for the year, the Group determines the default loss ratio (see the table below), and determines the expected credit loss of accounts receivable and makes provision for bad debts based on the default loss ratio.

Ageing	Estimated default loss rate on accounts receivable (%)
0-6 months (6 months inclusive)	0
6 months- 1 year (1 year inclusive)	0.5
1 year- 2 years (2 years inclusive)	10
2 years- 3 years (3 years inclusive)	30
2 years- 5 years (5 years inclusive)	80
over 5 years	100

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 from related parties, outstanding deposits and security deposits, retained reserve and employee loans, other receivables from government and institutions without indication of impairment, the Group determines that no expected credit loss exists and no provision for bad debts is made.
- (2) The Group performs separate impairment tests for other receivables for which there is an indication of impairment, as well as for other receivables for which individual tests are applicable, 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. For other receivables which have not been tested individually for impairment, based on the actual credit loss for previous years and considering forwarding information for the year, the Group determines the default loss ratio (see the table below), and determines the expected credit loss of other receivables and make provision for bad debts based on the default loss ratio.

Ageing	Estimated default loss rate on other receivables (%)
0-6 months (6 months inclusive)	0
6 months- 1 year (1 year inclusive)	0.5
1 year- 2 years (2 years inclusive)	10
2 years- 3 years (3 years inclusive)	30
2 years- 5 years (5 years inclusive)	80
over 5 years	100

13. Inventories

1. Classification of 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..

Inventories are initially measured at cost, which includes the cost of purchase, processing costs and other expenses incurred in bringing the inventories to their present location and condition.

2. Valuation method of inventory delivered

When inventories are delivered, the actual cost is determined using the weighted-average method or the first-in, first-out method. For inventories that cannot be substituted for use or purchased or manufactured specifically for a particular project, the Company uses the individual valuation method to determine the cost of inventories delivered. Turnover materials include low-value consumables and packaging materials. Low-value consumables and packaging materials are amortized using the one-time reversal method.

3. Basis for determining the net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. In determining the net realizable value of inventories, the determination is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of post-balance sheet events.

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. The estimated selling price should be the most reliable estimate of the selling price obtained at the balance sheet date. A provision for decline in value of inventories is made when its net realizable value is lower than its cost.

For inventories with large quantities and low unit prices, provision for inventory value decline is made by inventory category; for inventories that are related to product lines manufactured and sold in the same region, and have the same or similar end use or purpose, and are difficult to measure separately from other items, provision for inventory value decline is made on a consolidated basis; for other inventories, provision for inventory value decline is made for the difference between the cost of individual inventory items and their net realizable value.

After the provision for inventory value decline is made, if the factors affecting the previous write-down of inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its carrying value, the provision for inventory value decline is reversed within the amount originally provided for, and the reversed amount is recognized in profit or loss for the current period.

4. Inventory system

The Group maintains a perpetual inventory system.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

14. 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.

1. **Judgement criteria for common control that have significant influence**

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are in control of such arrangement.

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

2. **Determination of initial investment cost**

(1) *Long-term equity investments acquired through business combinations under common control*

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, in case of 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.

(2) *Long-term equity investments acquired through business combinations not under common control*

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

For equity interests in investees not under common control acquired in a series of transaction which constitute business combination, in case of 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.

(3) *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.*

3. **Subsequent measurement and recognition method of profit or loss**

(1) *Long-term equity investments accounted for under the cost method*

The Group's investments in subsidiaries are accounted for using the cost method and are measured at the initial investment cost. The cost of long-term equity investments is adjusted when the investment is increased or recovered. Cash dividends or profits declared by the investee are recognized as investment income for the period in accordance with the amount to which they are attributable.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) Long-term equity investments accounted for under the equity method

The Group accounts for its investments in joint ventures and associates using the equity method.

When the equity method of accounting is adopted, if the initial investment cost of a long-term equity investment is higher than the share of the fair value of the identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investment is not adjusted; if the initial investment cost is less than the share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted.

Under the equity method of accounting, investment income and other comprehensive income are recognized in accordance with the investee's share of net profit or loss and other comprehensive income, respectively, and the carrying value of long-term equity investments is adjusted; the carrying value of long-term equity investments is reduced accordingly to the extent of the investee's share of profits or cash dividends declared by the investee. For changes in the ownership interest of the investee other than net profit or loss, other comprehensive income and profit distribution, the carrying value of the long-term equity investment is adjusted and recognized as capital surplus. The share of net profit or loss of the investee is recognized on the basis of the fair value of the investee's identifiable assets at the time of acquisition, in accordance with the Group's accounting policies and accounting periods, and after offsetting the portion of the gain or loss from internal transactions with associates and joint ventures that is attributable to the investee in proportion to the shareholding, and after adjusting the net profit of the investee.

In recognizing the share of net loss incurred by an investee, the carrying value of long-term equity investments and other long-term interests that substantially constituting a net investment in the investee are written down to zero. In addition, if the Group has an obligation to assume additional losses of the investee, an estimated liability is recognized for the expected obligation assumed, which is included in the current investment loss. If the investee achieves net profit in subsequent periods, the Group resumes recognition of revenue sharing after the revenue sharing amount makes up for the unrecognized loss sharing amount.

(3) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period.

For long-term equity investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Group loss control in the investee due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal of will be accounted for recognition and measurement standard for financial instruments, 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.

The transactions from the step-by-step disposal of equity to the loss of controlling equity do not fall under a series of transactions, therefore, 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

15. Long-term receivables

For the long-term receivables from sale of goods with financing nature by using deferred methods, the discount value of contract or agreement prices receivable (contract or agreement prices receivable less unrealized financing income) are taken as its initial recognised amount. At the end of the year, the Group separately carries out impairment test for long-term receivables, and credit impairment loss is recognised and provision for bad debts is made based on the difference from the present value of future cash flows lower than its book value.

16. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation, or both, and include buildings that have been leased out.

Investment properties are initially measured at cost. Subsequent expenditures related to investment properties are included in the cost of investment properties if it is probable that the economic benefits associated with the asset will flow and the cost can be measured reliably. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

The Group uses the cost model for the subsequent measurement of investment properties. 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	30-70	3-10	4.09-6.67

The proceeds from disposal of investment properties sold, transferred, scrapped or destroyed, net of their carrying values and related taxes, is recognized in profit or loss for the current period.

The Group converts fixed assets to investment properties at the carrying amount before conversion when there is evidence of conversion of buildings and structures for own use to rental.

The Group converts buildings and structures that would otherwise be used to earn rentals or for capital appreciation to own-use when there is evidence of conversion, and investment properties are converted to fixed assets at their carrying value before conversion.

17. Fixed assets

1. Recognition and initial measurement of 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 are initially measured at cost.

Subsequent expenditures related to fixed assets are included in the cost of the fixed assets and the carrying amount of the replaced part is derecognized if it is probable that the economic benefits associated with the fixed assets will flow and their cost can be measured reliably. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

Fixed assets of the Group comprise buildings and structures, machinery equipment, transportation equipment and other equipment.

2. Method of depreciation

Apart from fixed assets which are provided in full and continue to be in use, the Group made provision for all the fixed assets by using straight-line method from the month after reaching the intended useable state. 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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Other information

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.

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.

For impairment testing of fixed assets, please refer to Impairment of assets other than inventories and financial assets.

18. Construction in progress

The cost of construction in progress is determined on the basis of actual construction expenditures, including all construction expenditures incurred during the construction period, borrowing costs capitalized before the construction reaches its intended useable state, and other related costs.

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. The cost of the asset is adjusted when the construction finalization procedures are completed.

For the impairment test of construction in progress, please refer to Impairment of assets other than inventories and financial assets.

19. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. Borrowing cost 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.

The remaining borrowing costs are recognized as expenses in the period in which they are incurred.

20. Intangible assets

1. Valuation method, useful life and impairment test of intangible asset

The intangible assets of the Group include the land use right, software and others.

Intangible assets are recognized and initially measured at cost only when it is probable that the economic benefits associated with them will flow into the Group and their cost can be measured reliably. 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. However, intangible assets acquired in a business combination that are not under common control whose fair value can be reliably measured are separately recognized as intangible assets and measured at fair value.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives from the time they are available for use, less the estimated net residual value and the cumulative amount of the provision for impairment. Intangible assets with indefinite useful lives are not amortized.

The Group amortises land use right on the basis of its useful life. The non-patent technology is amortised on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. Software is amortized over its estimated useful life or contractual useful life.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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 any changes occur, they will be regarded as changes on accounting estimates.

For impairment testing of intangible assets, please refer to Impairment of assets other than inventories and financial assets.

2. Research and development expenses

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 and expenditures in the development phase that do not meet the following conditions are charged to the current profit or loss:

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

If it is not possible to distinguish between research and development expenditures, all research and development expenditures incurred are included in the profit or loss for the current period. 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.

21. Impairment of long-term assets

The Group determines impairment of assets other than inventories, contract assets and assets related to contract costs, deferred income taxes, financial assets and assets held for sale as follows:

The Group determines at the balance sheet date whether there is an indication that an asset may be impaired. When there is an indication of impairment, the Group estimates the recoverable amount and performs an impairment test. Goodwill and intangible assets with indefinite useful lives are tested for impairment at the end of each year, regardless of whether there is an indication of impairment. Intangible assets that have not yet reached their useful lives are also tested for impairment annually.

The estimated recoverable amount of an asset is based on an individual asset. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined using the asset group to which the asset belongs. An asset group is the smallest combination of assets that can generate cash inflows independently. The recoverable amount is the higher of the net of the fair value of an asset or group of assets, less costs of disposal, and the present value of its estimated future cash flows. If the carrying amount of an asset exceeds its recoverable amount, a provision for impairment is made for the difference and an impairment loss is included.

Goodwill is tested for impairment in conjunction with the asset group or combination of asset groups to which it relates. That is, the carrying amount of goodwill is apportioned from the date of purchase to the asset group or combination of asset groups that can benefit from the synergies of the business combination in a reasonable manner, and if the recoverable amount of the asset group or combination of asset groups that contains the apportioned goodwill is less than its carrying amount, a corresponding impairment loss is recognized. The amount of the impairment loss is first set off against the carrying amount of the goodwill apportioned to that asset group or group of asset groups, and then against the carrying amount of each asset other than goodwill in the asset group or group of asset groups on a pro-rata basis.

The above assets impairment loss once recognised, cannot be transferred in the subsequent accounting period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

22. Long-term prepaid expenses

Long-term prepaid expenses represent each expense that has been expensed by the Group and has an amortization period of more than one year. Long-term prepaid expenses are amortized evenly over the benefit period of the expense item. For Long-term prepaid expenses items that do not benefit subsequent accounting periods, the amortization value of the item is fully charged to the profit or loss for the current period when it is determined.

Long-term prepaid expenses are accounted for at the actual cost when incurred.

23. Employee benefits

Employee benefits are all forms of remuneration or compensation given by the Group for services rendered by employees or for the termination of employment relationships, include short-term compensation, post-employment benefits, termination benefits and other long-term benefits.

1. Accounting treatment methods of short-term compensation

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. Of these, non-monetary benefits are measured at fair value.

2. Accounting treatment methods of post-employment benefits

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, and are classified into defined contribution plans and defined benefit plans in view of the risks and obligations borne by the Company. Save as defined benefit plans for Huangpu Wenchong and Wenchong Shipyard, being subsidiaries of the Company, the Group's post-employment benefits, which are mainly basic pension and unemployment insurance contributions for employees and enterprise annuity, are all defined contribution plans.

(1) Defined contribution plan

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 of beneficiary.

(2) Defined benefit plan

There are defined benefit plans for Huangpu Wenchong and Wenchong Shipyard respectively, being subsidiaries of the Company. The present value of this defined benefit plan obligation is calculated annually by an independent actuary using the expected cumulative benefit unit method based on an interest rate on high quality corporate debt of similar maturity and currency to the obligation. The net liability for the present value of the defined benefit plan obligation, less the fair value of plan assets, is shown in the balance sheet under Long-term employee benefits payable. Service costs associated with the plan (including current service costs, past service costs and settlement gains or losses) and net interest based on the net defined benefit plan liability and an appropriate discount rate are included in the profit or loss or the cost of related assets for the current period, and changes resulting from the remeasurement of the net defined benefit plan liability are included in other comprehensive income.

3. Accounting treatment methods of termination benefits

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

24. Estimated liabilities

In addition to contingent consideration and contingent liabilities assumed in business combinations that are not under common control, present obligations arising from warranty on quality of goods, loss-making contracts and litigation, or other contingent matters meet the following requirements, the Group will recognise them as liabilities:

- (1) the assumed responsibilities are actual and real;
- (2) the fulfilment of obligations will probably to cause the outflow of economic benefit from the Group;
- (3) 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. The Group assesses the book value of estimated liabilities on each balance sheet date. If there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

If all or part of the expenditure required to settle the estimated liability is expected to be reimbursed by a third party, the amount of reimbursement is recognized separately as an asset when it is substantially certain that it will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the estimated liability.

Contingent liabilities of the acquiree acquired in a business combination that are not under common control are measured at fair value at initial recognition and subsequently measured at the higher of the amount of the expected liability recognized, and the amount initially recognized, less accumulated amortization determined in accordance with the revenue recognition principle.

25. Production safety fee

According to the regulation for Notice of the Ministry of Finance and the State Administration of Work Safety on Issuing the Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds (Cai Qi [2012] No.16), the Group's shipbuilding companies and supporting manufacturing enterprises made provision for production safety fees, which are specifically used to improve and enhance the enterprise or project safety production conditions.

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, depending on turning into fixed assets for separate treatment, 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.

26. Revenue

1. Principles for recognition of revenue

The Group recognizes revenue when it has fulfilled its performance obligations under the contract, i.e., when the customer obtains control of the relevant goods. The obtaining of control of the relevant goods is defined as the ability to dominate the use of the goods and derive substantially all of the economic benefits therefrom.

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:

- (1) customers obtain and consume the economic benefits from the performance by the Group of its obligations at the time of performance;
- (2) customers are able to control the goods under development in the process of performance by the Group of its obligations;
- (3) 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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:

- (1) whether the Group has the existing right to receive payment for the goods;
- (2) whether the Group has transferred the legal ownership of the goods to customers;
- (3) whether Group has physically delivered the goods to customers;
- (4) whether the Group has transferred the major risks and rewards relating to the ownership of goods to customers;
- (5) whether the customers have accepted the goods;
- (6) other indications that customers have obtained control over the goods.

2. **Methods of revenue recognition**

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

(1) *Revenue from 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 and carrying costs 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.

If the condition to "performance over time" is not met, the Group recognises one-off 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 and carries forward one-off full cost of the contract.

(2) *Revenue from ship maintenance and modification*

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

(3) *Revenue from the sales of steel structures*

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 due performance progress is determined using the input method, based on the percentage of total accumulated incurred contract target cost to total expected contract cost. For the steel structure manufacturing and delivery contracts not meeting the condition of "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.

(4) *Revenue from the sales of electromechanical products*

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

27. Contract assets and contract liabilities

In the contract between the Company and the customer, the Company has the right to receive the contract price for the transfer of the goods and related services to the customer, and at the same time bear the performance obligation to transfer the goods or services to the customer. Before the customer actually pays the contract price or the goods or services or the consideration is due, when the Company has already transferred such goods or service to the customer, it shall present the rights to receive consideration for the transfer of goods or services as contract assets and shall recognize as accounts receivable when obtaining unconditional collection rights. Otherwise, the obligation to transfer goods or services to a customer for which the Company has received a consideration (or an amount of consideration that is due) from the customer is presented as contract liabilities. When the Company fulfills its obligation to transfer goods or provide services to customers, the contract liabilities are recognized as revenue.

The Group presents contract assets and contract liabilities under the same contract on a net basis.

Provisions for losses are recognized for contract assets on the basis of expected credit losses.

Method of determination of expected credit loss of contract assets. For contract assets arising from the Group's normal performance of contracts, if contractual payment is no more than 30 days past due, the Group determines that there is no difference between the cash flows receivable for the contract and the cash flows expected to be received, and no provision for impairment of contract assets is recognised. If contractual payment is no less than 30 days past due, the Group recognises provision for impairment of contract assets based on the expected credit losses of the contract assets for the entire duration of the contract. For the method of determination, please refer to the description in "11. Notes and accounts receivable" above.

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

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

28. Contract costs

The Group's assets related to contract costs include contract acquisition costs and contract performance costs. They are presented in inventories, other current assets and other non-current assets, respectively, depending on their liquidity.

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

The cost incurred by the Group to perform a contract are not applicable to the scope of regulation of relevant standards such as inventory, fixed assets or intangible assets and meets all of the following conditions, and is recognised as an asset as contract performance cost:

- (1) 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;
- (2) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future;
- (3) the costs are expected to be recovered.

The incremental cost for the Group to obtain a contract is expected to be recoverable and is recognised as an asset as contract acquisition cost, unless If the amortisation period is no more than one year. Incremental cost refers to the cost which will not be incurred by the Group had no contract been acquired. Other expenses incurred by the Group to obtain contracts (other than the incremental cost which is expected to be recoverable) 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Impairment of assets relating to contract costs

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

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

29. 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. Government grants are recognized when the conditions attached to the government grants can be met and can be received.

If a government grant is a monetary asset, it is measured at actual received or receivable amount. Government grants that are non-monetary assets are measured at fair value. 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 that are measured at nominal amounts are recognized directly in profit or loss for the current period.

1. Basis of judgment and accounting treatment for asset-related government grants

Asset-related government grants are government grants acquired by the Group for the acquisition or long-term assets formed in other ways.

Government grants related to assets are recognized as deferred income and recognized in profit or loss for the current period over the useful life of the related assets in accordance with the straight-line method. If the related assets are sold, transferred, scrapped or destroyed before the end of their useful lives, the unallocated balance of the related deferred gain or loss is transferred to profit or loss in the period when the assets are disposed of.

2. Judgment basis and accounting treatment of revenue-related government grants

Revenue-related government grants are government grants other than those related to assets.

Government grants related to revenue that are used to compensate for related costs and expenses or losses in subsequent periods are recognized as deferred revenue and charged to the profit or loss in the current period in which the related costs and expenses or losses are recognized; those used to compensate for related costs and losses already incurred are charged directly to the profit or loss for the current period.

The Group classifies government grants that are difficult to distinguish as a whole as revenue-related government grants.

Government grants related to ordinary activities are recognized in other income in accordance with the substance of economic operations. Government grants that are not related to ordinary activities are included in non-operating income.

3. Accounting treatment for loan interest subsidy

Where the Group has obtained loan interest subsidy, different accounting treatment will be applied 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 or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

30. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized using the balance sheet liability method for temporary differences arising from differences between the carrying amounts of certain items of assets and liabilities and their tax bases, as well as differences between the carrying amounts of items that are not recognized as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the tax laws.

Deferred income tax is generally recognized on all temporary differences. However, for deductible temporary differences, deductible losses and tax credits that can be carried forward to future years, the Group recognises deferred income tax assets to the extent that it is probable that taxable income will be available against which the deductible temporary differences, deductible losses and tax credits that can be utilized.

In addition, 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.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and the carrying amount of deferred tax assets is written down if it is more likely that sufficient taxable income will not be available against which the benefit of the deferred tax assets can be utilized in the future. To the extent that it is probable that sufficient taxable income will be available, the written down amount is reversed.

31. Leases

A lease is a contract in which the lessor grants the right to use an asset to the lessee for a certain period of time for consideration.

At the inception/change date of a contract, the Group assesses whether the contract is a lease or contains a lease. The Group does not reassess whether a contract is a lease or contains a lease unless there is a change in the terms and conditions of the contract.

1. The Group as lessee

(1) Splitting of leases

If a contract contains one or more lease and non-lease components at the same time, the Group splits each individual lease and non-lease component and apportions the contract consideration in the relative proportion of the sum of the individual prices of each lease component and the individual prices of the non-lease components.

(2) Right-of-use assets

At the commencement date of the lease term, the Group recognises right-of-use assets and lease liabilities for leases other than short-term leases and leases of low-value assets, and recognises depreciation expense and interest expense, respectively, over the lease term.

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 to the identified impairment loss in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 8 - Impairment of Assets.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(3) 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. In calculating the present value of the lease payments, the Group uses the interest rate embedded in the lease as the discount rate.

If the interest rate embedded in the lease cannot be reasonably determined, the Group's incremental borrowing rate is used as the discount rate. The lease payments, being payments made by the Group to the lessor in connection with the right to use the leased asset during the lease term, 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; ② Variable lease payments depending on the index or ratio; ③ The amount expected to be paid based on the residual value of the guarantee provided by the lessee; ④ The exercise price of purchasing the option, to be determined by the Group on a reasonable basis; ⑤ If the lease term reflects that the Group will exercise the option to terminate the lease, payments required to exercise the option to terminate the lease.

Variable lease payments that depend on an index or rate are determined at initial measurement based on the index or rate at the inception date of the lease term. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss when they are actually incurred.

After the commencement date of the lease term, the Group calculates the interest expense on the lease liability for each period of the lease term based on a fixed periodic interest rate and includes it in finance costs. This periodic interest rate is the discount rate or revised discount rate adopted by the Company.

When the Group'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.

(4) Short-term leases and leases of low-value assets

The Group has chosen not to recognise right-of-use assets and lease liabilities for short-term leases of transportation equipment, machinery and equipment and electronic equipment, as well as leases of low-value assets. Short-term leases refer to leases with a lease term of not more than 12 months at the commencement date of the lease term and do not contain a purchase option. Low-value asset leases are leases with a lower value when the individual leased asset is a brand-new asset. The Group recognises lease payments under short-term leases and leases of low-value asset in the profit or loss for the current period or the cost of the related assets on a straight-line basis over the respective periods of the lease term.

(5) Changes in leases

If a lease is changed and the following conditions are met, the Group will account for the lease change as a separate lease.

- ① The lease modification expands the scope of the lease by adding the right to use one or more leased assets;
- ② The increased consideration is equivalent to the separate price of the expanded portion of the lease scope adjusted for the circumstances of that contract.

If a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Group reapportioned the consideration of the modified contract, redetermined the lease term, and remeasured the lease liability based on the present value of the modified lease payments and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Group reduces the carrying value of the right-of-use asset accordingly and recognises the gain or loss related to the partial termination or complete termination of the lease in the profit or loss for the current period. If other lease changes result in the remeasurement of the lease liability, the Group adjusts the carrying value of the right-of-use asset accordingly.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

2. The Company as lessor

(1) Splitting of leases

If a contract contains both lease and non-lease components, the Group apportions the contract consideration in accordance with the provisions of "Accounting Standards for Business Enterprises No. 14 – Revenue" on apportionment of transaction prices, based on the respective individual selling prices of the lease component and non-lease component.

(2) Classification of leases

Leases that substantially transfer almost all the risks and rewards associated with the ownership of leased assets are finance leases. Leases other than finance leases are operating leases.

(3) 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.

Variable lease receipts obtained by the Group in connection with operating leases that are not included in the lease receipts are recognized in the profit or loss for the current period when they are actually incurred.

32. 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.

For discontinued operations presented in the current period, the Group presents profits or losses from continuing operations and discontinued operations separately in the income statement for the current period and restates the information originally reported as profit or loss from continuing operations in the income statement for the comparative periods as profit or loss from discontinued operations for the comparative accounting periods.

33. Hedge Accounting

To manage risk exposures arising from specific risks such as foreign exchange risk, the Group designates certain financial instruments as hedging instruments for hedging purposes. Hedges that meet the prescribed conditions are accounted for by the Group using hedge accounting. The Group's hedges include cash flow hedges. Hedges of identified committed foreign exchange exposures are treated as cash flow hedges by the Group.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

1. **Conditions for applying hedge accounting**

The Group formally designates the hedging instrument and the hedged item at the beginning of the hedge, records the hedging instrument, the hedged item, the nature of the hedged risk and the method of assessing hedge effectiveness (including an analysis of the reasons for the generation of the ineffective hedge portion and the method of determining the hedge ratio). In addition, the Group continuously evaluates whether the hedging relationship meets the hedge effectiveness requirements at the beginning of the hedge and in subsequent periods. The Group determines that the hedging relationship meets the hedge effectiveness requirements if the hedge meets the following conditions at the same time:

- (1) An economic relationship exists between the hedged item and the hedging instrument.
- (2) The effect of credit risk does not dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.
- (3) The hedge ratio of a hedging relationship will be equal to the ratio of the number of hedged items that the Group actually hedges to the actual number of hedging instruments that hedge them.

If a hedging relationship no longer meets hedge effectiveness requirements due to the hedge ratio, but the Group's risk management objective in designating the hedging relationship has not changed, the Group will rebalance the hedging relationship by adjusting the number of hedged items or hedging instruments in the already existing hedging relationship so that the hedge ratio meets hedge effectiveness requirements again.

The Group can apply hedge accounting methods only if the conditions specified in the application of hedge accounting standards are also met.

2. **Discontinuation of hedge accounting**

The Group will discontinue the application of hedge accounting if one of the following circumstances occurs:

- (1) The hedging relationship no longer meets the risk management objectives due to a change in risk management objectives.
- (2) The hedging instrument has expired, is sold, the relevant contract is terminated, or is exercised.
- (3) The economic relationship between the hedged item and the hedging instrument no longer exists, or the effect of credit risk begins to dominate the changes in value resulting from the economic relationship between the hedged item and the hedging instrument.
- (4) The hedging relationship no longer meets the other conditions for applying hedge accounting methods.

3. **Cash flow hedge accounting treatment**

The Group recognizes the portion of the gain or loss arising from the hedging instrument that is effective as a cash flow hedge reserve in other comprehensive income, and the portion that is ineffective as a hedge is recognized in the profit or loss for the current period. The amount of the cash flow hedge reserve is determined as the lower of the absolute amount of: the cumulative gain or loss on the hedging instrument from the inception of the hedge; and the cumulative change in the present value of estimated future cash flows of the hedged item from the inception of the hedge.

When the hedged item is an anticipated transaction and the anticipated transaction results in the Group's subsequent recognition of a non-financial asset or non-financial liability, or the anticipated transaction of a non-financial asset or non-financial liability creates a firm commitment to which fair value hedge accounting applies, the Group reverses the amount of the cash flow hedge reserve originally recognized in other comprehensive income to the amount initially recognized for that asset or liability. For cash flow hedges that do not fall into the above category, the Group reverses the amount of cash flow hedge reserve originally recognized in other comprehensive income to profit or loss in the same period in which the hedged expected cash flows affect the profit or loss. If the amount of the cash flow hedge reserve recognized in other comprehensive income is a loss that is not expected to be recovered in whole or in part in a future accounting period, the Group transfers the portion that is not expected to be recovered from other comprehensive income to the profit or loss for the current period when it is not expected to be recovered.

When the Group terminates the application of hedge accounting to a cash flow hedge, if the hedged future cash flows are still expected to occur, the amount of the accumulated cash flow hedge reserve is retained and accounted for as described above; if the hedged future cash flows are no longer expected to occur, the amount of the accumulated cash flow hedge reserve is transferred from other comprehensive income and recognized in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

34. 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, after taking into account of the principle of materiality. In preparing segment reports, the Group measures the revenue from inter-segment transactions based on the actual transaction price. The accounting policies adopted for the preparation of segment reports are consistent with those adopted for the preparation of the Group's financial statements.

35. Fair value measurement

The Group measures its investments in derivative financial instruments and other equity instruments at fair value at each balance sheet date. The Group measures the relevant assets or liability at fair value supposing the orderly transaction of asset selling or liability transferring incurring in a principal market of relevant assets or liabilities. In the absence of a principal market for the asset or liability, the group assumes that the transaction take place at the most advantageous market of relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the group can enter into at measurement date. The Group implements the hypothesis used by the market participants to realize the maximum economic benefit in assets or liabilities pricing.

For non-financial assets measured at fair value, the Group should consider the capacity of the market participants to put the assets into optimal use thus generating the economic benefit, or the capacity to sell assets to other market participants who can put the assets into optimal use and generate economic benefit.

The Group implements the valuation technique suitable for the current condition and supported by enough available data and other information, gives priority in use of relevant observable inputs, only the observable inputs cannot be obtained or impracticable before using unobservable inputs.

For the assets and liabilities measured at fair value or disclosure at financial statements, fair value hierarchies are categorized into three levels as the lowest level input that is significant to the entire fair value measurement. Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: inputs are unobservable inputs for the assets or liability.

The Group prioritizes the use of Level 1 inputs and then finally uses Level 3 inputs. The Group uses Level 1 inputs for shares of listed companies, Level 2 inputs for forward foreign exchange contracts and Level 3 inputs for investments in other equity instruments of unlisted companies to measure fair value using valuation techniques.

At each balance sheet date, the group reviews the assets and liabilities recognized to be measured at fair value on the financial statements to make sure whether conversion occurs between fair value hierarchies.

36. Other significant accounting policies and accounting estimates

When preparing financial statements, the management of the Group needs to use assumptions and evaluations, which might influence accounting policy application and the amounts of assets, liabilities revenues and expenses. The effective results might differ from these estimates. The management of the Group continues to evaluate the uncertain factors and key assumptions that affect estimates. The changes on accounting estimates effects should be recognised in the current year or carry forward.

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

1. Net realisable value of inventories

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

2. **Estimated useful life and residual value of fixed assets and intangible assets**

The Group depreciates or amortizes property, plant and equipment and intangible assets over their estimated useful lives, taking into account their residual values. The Group reviews the estimated useful lives and residual values of fixed assets and intangible assets at least at the end of each year. The estimated useful lives, residual values are determined by management based on the historical experience of similar assets, with reference to estimates generally applied in the same industry and in conjunction with expected technological updates. When there is a significant change in previous estimates, depreciation expense and amortization expense in future periods are adjusted accordingly.

3. **Impairment of financial instruments**

The Group uses the expected credit loss model to assess the impairment of financial assets measured at amortized cost, investments in debt instruments measured at fair value through other comprehensive income, and lease receivables. The application of the expected credit loss model requires significant judgments and estimates, which require consideration of all reasonable and substantiated information, including forward-looking information. In making such judgments and estimates, the Group presumed expected changes in debtors' credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment made may not equal to the actual amount of future impairment loss.

4. **Impairment of non-current assets other than financial assets (other than goodwill)**

The Group determines at the balance sheet date whether there is an indication that a non-current asset, other than financial assets, may be impaired. Intangible assets with indefinite useful lives are tested for impairment when there is an indication of impairment, in addition to the impairment test performed annually. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. **Target contract cost**

The Group reviews the target 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.

6. **Income tax**

The Group estimates income tax expense and deferred income tax in accordance with existing tax rules and regulations, taking into account special approvals obtained from the relevant tax authorities and tax incentives to which the Group is entitled in the places or jurisdictions in which it operates. In the normal course of business, there will be uncertainties in the ultimate tax treatment of some transactions and matters. If the final determination of these tax matters differs from the amounts initially recorded, such difference will have an impact on the amount of income tax expense and deferred income tax in the period in which such final determination is made.

Deferred income tax assets are recognized for unused losses and other deductible temporary differences, such as impairment allowances for pre-tax non-deductible receivables, inventories, fixed assets and construction in progress, to the extent that it is probable that future taxable profit will be available to cover the losses or the deductible temporary differences can be reversed. The amount of recognition of deferred tax assets requires management to apply significant estimates based on the timing and amount of future taxable profit to be generated and future tax planning.

The Group believes that the appropriate current income taxes and deferred income taxes are recognised based on current tax rules and regulations and current best estimates and assumptions. If future changes in tax rules and regulations or related circumstances require adjustments to current and deferred income taxes, which will have an impact on the Group's financial position.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

37. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Changes in significant accounting policy

Implementation of the Presentation Related to Centralized Management of Funds (關於資金集中管理相關列報) in Interpretation No. 15 of the Accounting Standards for Business Enterprises (《企業會計準則解釋第 15 號》)

On 30 December 2021, the Ministry of Finance issued the Interpretation No. 15 of the Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) (《企業會計準則解釋第15號》(財會[2021]35 號)) ("Interpretation No. 15"), and the contents of the "Presentation Related to Centralized Management of Funds" shall come into force as of the date of promulgation. The financial statement data for comparable periods are adjusted accordingly.

Interpretation No. 15 specifies how the balances relating to the centralized management of the funds of the parent company and members should be presented and disclosed in balance sheets through internal clearing houses, finance companies, etc.. The implementation of the requirement has not had any impact on the Group's financial position and operating results.

2. Changes in accounting estimates

There is no changes in estimates for this period.

IV. TAX

(1) Main taxes and rates

Type	Tax basis	Tax rate
Value-added tax	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	13%, 9%, 6%
Urban maintenance and construction tax	Based on value-added tax and consumption taxes paid	7%
Educational surcharge	Based on value-added tax and consumption taxes paid	3%
Local education surcharge	Based on value-added tax and consumption taxes paid	2%
Enterprise income tax	Based on taxable profits	15%, 20%, 25%
Hong Kong profits tax	Taxable income	16.50%

Companies subject to different income tax rates are disclosed as follows:

Name of tax payer	Tax rate
The Company	25.00%
Huangpu Wenchong	15.00%
Wenchong Shipyard	15.00%
Huangchuan Offshore Engineering	25.00%
Wenchuan Heavy Industrial	15.00%
CSSC New Energy	20.00%
CSSC Internet	20.00%
Zhanjiang Nanhai	20.00%
Wenchong Bingshen	20.00%
Wah Shun	16.50%
Wah Loong	16.50%
Xingji	20.00%
HuaCheng	20.00%
HuaXin	20.00%
Wah Sheng	16.50%
Wah Cheung	16.50%
Wah Hing	16.50%
Wah Shui	16.50%
Wah Yu	16.50%

Note: Wah Shun, Wah Loong, Wah Sheng, Wah Cheung, Wah Hing, Wah Shui, Wah Yu, which are incorporated in Hong Kong, enforce Hong Kong profits tax at 16.50%.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) Preferential taxation treatment

1. Value-added tax

- (1) 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.
- (2) Revenue from military products: Value-added tax is exempted for military production (order) contracts upon completion of the relevant procedures for tax relief.
- (3) 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 some subsidiaries of the Group, the portion of actual value-added tax burden in excess of 3% may be recovered upon payment in accordance with the relevant policy.
- (4) 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), the Announcement on Clarifying the Policies on Additional Value-added Tax Deduction Policy for Life Services (Announcement of the Ministry of Finance and the State Taxation Administration [2019] No. 87) and the Announcement on Relevant Value-Added Tax Policies for Promoting the Resolution of Difficulties for and the Development of Difficulty-Ridden Industries in the Service Sector Fields (Announcement of the Ministry of Finance and the State Taxation Administration [2022] No. 11), 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 2022, deducting VAT payables.

2. Enterprise income tax

- (1) On 20 December 2021, Huangpu Wenchong obtained a new technology enterprise certificate, Certificate No. GR202144007063, which is valid until 19 December 2024 and Huangpu Wenchong is subject to corporate income tax at a rate of 15%.
- (2) On 2 December 2019, Wenchong Shipyard obtained a new technology enterprise certificate, Certificate No. GR201944010453, which is valid until 1 December 2022 and Wenchong Shipyard is subject to corporate income tax at a rate of 15%.
- (3) On 31 December 2021, Wenchuan Heavy Industrial obtained a new technology enterprise certificate, Certificate No. GR202144012793, which is valid until 30 December 2024 and Wenchuan Heavy Industrial is subject to corporate income tax at a rate of 15%.
- (4) CSSC New Energy, CSSC Internet, Zhanjiang Nanhai, Wenchong Bingshen, Xingji, HuaCheng and HuaXin are small profit-making enterprises. According to the Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies to Support the Development of Small Low-Profit Enterprises and individual business (SAT Announcement [2021] No. 8), from 1 January 2021 to 31 December 2022, for small low-profit enterprises whose annual taxable income is less than RMB1 million, their income tax shall be based on the taxable income calculated at 12.5% of the enterprise income tax rate of 20%.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

V. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

Items	Ending balance	Beginning balance
Cash on hand	26,324.55	55,083.55
Bank deposits	5,417,035,232.42	5,719,312,024.76
Other cash at bank and on hand	4,143,341,806.60	3,048,383,016.18
Total	9,560,403,363.57	8,767,750,124.49
Including: Deposit in finance company	6,191,940,179.15	6,179,869,944.74
Total amount deposited overseas	2,733,537.07	7,241,163.01

The monetary capital which was limited to use by mortgage, pledge, and being frozen, limited to access due to centralised management of funds, or limited to remit to China in foreign countries are as following:

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	3,880,000,000.00	2,857,500,000.00
Deposit for bank acceptance bills	8,875,179.97	51,346,416.93
Deposit for letters of guarantee and letters of credit	8,966,532.49	4,486,002.03
Foreign exchange forward contract bond		4,009,010.06
Special housing fund for employees	17,635,623.56	17,331,705.44
Interest on fixed deposits	227,864,470.58	113,709,881.72
Total	4,143,341,806.60	3,048,383,016.18

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

(2) Financial assets held-for-trading

1. Types of financial assets held-for-trading

Category	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	3,102,524,392.16	862,076,236.61
Including: Investment in debt instruments		
Investments in equity instruments	1,863,392.16	1,642,611.95
Entrusted wealth management	3,100,661,000.00	672,125,000.00
Structured deposits		188,308,624.66
Financial assets at fair value through profit or loss	178,504,215.41	193,115,008.10
Including: Forward exchange contracts	178,504,215.41	193,115,008.10
Total	3,281,028,607.57	1,055,191,244.71

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Item	Ending balance	Beginning balance
Listed	1,863,392.16	1,642,611.95
Unlisted	3,279,165,215.41	1,053,548,632.76
Total	3,281,028,607.57	1,055,191,244.71

Note: The Group's financial assets at fair value through profit or loss are equities, entrusted wealth management, forward exchange contracts.

- (1) For stocks, the fair value is determined based on the closing price of the shares at the end of the year.
- (2) For entrusted wealth management, the fair value is determined based on valuation documents provided by financial institutions.
- (3) For forward exchange contracts, at measurement date, the public price of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The prevailing benchmark loan interest rate promulgated by the People's Bank of China is chosen to be discount rate. The fair value is calculated according to the formula as follows:

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

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

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

(3) Notes receivable

1. Classification of notes receivable

Items	Ending balance	Beginning balance
Bank acceptance bills	28,031,260.05	46,528,161.34
Commercial acceptance bills	54,300,000.00	115,096,846.29
Loss: provision for bad debts		
Total	82,331,260.05	161,625,007.63

2. Notes receivable pledged of the Company as at the end of the year

None.

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

Item	Amount derecognized as at the end of the year	Amount not derecognized as at the end of the year
Bank acceptance bills		14,335,512.05
Commercial acceptance bills		
Total		14,335,512.05

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

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Type	Ending balance				
	Book balance		Provision for bad debts		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts made on a collective basis	82,331,260.05	100.00			82,331,260.05
Including: Due within one year	82,331,260.05	100.00			82,331,260.05
Total	82,331,260.05				82,331,260.05

Type	Beginning balance				
	Book balance		Provision for bad debts		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts made on a collective basis	161,625,007.63	100.00			161,625,007.63
Including: Due within one year	161,625,007.63	100.00			161,625,007.63
Total	161,625,007.63				161,625,007.63

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(4) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	1,130,852,704.06	1,264,356,804.96
Less: Provision for bad debts	53,120,040.30	19,939,868.35
Total	1,077,732,663.76	1,244,416,936.61

1. The ageing analysis of accounts receivable as at the transaction date is as follows

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	718,694,023.43	241,028.98	0.04
1-2 years	298,261,116.16	17,587,172.65	4.25
2-3 years	80,017,346.05	23,784,510.26	29.72
3-4 years	32,692,246.56	10,556,950.92	32.29
4-5 years	1,187,971.86	950,377.49	80.00
Over 5 years			
Total	1,130,852,704.06	53,120,040.30	

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,020,874,824.44	676,279.81	0.07
1-2 years	196,065,663.17	10,628,194.20	5.42
2-3 years	45,380,995.05	7,685,016.85	16.93
3-4 years	1,348,776.86	950,377.49	70.46
4-5 years			
Over 5 years	686,545.44		
Total	1,264,356,804.96	19,939,868.35	

2. Credit period of accounts receivable

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Disclosure of accounts receivable by method of bad debt provision

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	1,130,852,704.06	100.00	53,120,040.30	4.70	1,077,732,663.76
	1,130,852,704.06	100.00	53,120,040.30	4.70	1,077,732,663.76
Total	1,130,852,704.06		53,120,040.30		1,077,732,663.76

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					
Provision for bad debts made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	1,264,356,804.96	100.00	19,939,868.35	1.58	1,244,416,936.61
	1,264,356,804.96	100.00	19,939,868.35	1.58	1,244,416,936.61
Total	1,264,356,804.96		19,939,868.35		1,244,416,936.61

(1) Accounts receivable assessed individually for provision for bad debts at the end of the year

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) *Accounts receivable with provision for bad debts on a collective basis*

Item	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Amounts receivable from related parties	37,025,959.98		
Portfolio of government units and public institutions	471,553,556.94		
Ageing portfolio	622,273,187.14	53,120,040.30	8.54
Total	1,130,852,704.06	53,120,040.30	

Breakdown of ageing on a collective basis:

Item	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of Provision (%)
Within one year (including one year)	352,735,599.33	241,028.98	0.07
1 to 2 years	175,871,726.44	17,587,172.65	10.00
2 to 3 years	79,281,700.86	23,784,510.26	30.00
3 to 4 years	13,196,188.65	10,556,950.92	80.00
4 to 5 years	1,187,971.86	950,377.49	80.00
Over 5 years			
Total	622,273,187.14	53,120,040.30	

4. *Movements on provision for bad debts in respect of accounts receivable*

Type	Change in the year				Ending balance
	Beginning balance	Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts in respect of accounts receivable	19,939,868.35	33,180,171.95			53,120,040.30
Total	19,939,868.35	33,180,171.95			53,120,040.30

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

None.

(2) *Significant provision for bad debts recovered or reversed during the year*

None.

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

Name of entity	Ending balance		
	Account receivable	Percentage of total accounts receivable (%)	Provision for bad debts
Unit 1	202,073,400.00	17.87	
Unit 2	165,329,400.00	14.62	
Unit 3	147,291,689.65	13.02	19,997,617.24
Unit 4	116,417,307.27	10.29	147,161.01
Unit 5	54,877,409.00	4.85	1,455,082.09
Total	685,989,205.92	60.65	21,599,860.34

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

6. Accounts receivables derecognized arising from transfer of financial assets

None.

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

None.

(5) Financing receivables

1. Financing receivables

Item	Ending balance	Beginning balance
Notes receivable	43,060,494.00	
Accounts receivable	149,795,346.34	
Total	192,855,840.34	

Note: The Group discounts and endorses a portion of its bank acceptance bills more frequently for day-to-day fund management purposes. Therefore, the Group classified bank acceptance bills with higher remaining credit rating on the books as financial assets measured at fair value through other comprehensive income, and the Group believed that the bank acceptance bills held by it are not subject to significant credit risk and will not incur significant losses due to bank defaults, and therefore no bad debt provision has been recognized. The electronic debt certificates of accounts receivable obtained by the Group generating from the sale of goods and the provision of services are included in the item under the "Accounts Receivable" if the mode of business management aims to collect the contract cashflow; For the purpose of collecting the contract cashflow and selling, it is included in the item under the "Financing receivables."

2. Changes in financing receivables and fair value changes in the current year

Items	Beginning balance	Addition during the year	Derecognised during the year	Other changes	Ending balance	Accumulated loss provision recognized in other comprehensive income
Notes receivable		736,783,642.34	693,723,148.34		43,060,494.00	
Accounts receivable		149,795,346.34			149,795,346.34	
Total		886,578,988.68	693,723,148.34		192,855,840.34	

(6) Prepayments

1. Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,753,864,714.61	81.59	608,841,323.57	49.97
1 to 2 years	3,702,381.84	0.17	86,598,324.14	7.11
2 to 3 years	14,683,597.64	0.68	51,282,662.06	4.21
Over 3 years	377,407,957.82	17.56	471,664,239.14	38.71
Total	2,149,658,651.91	100.00	1,218,386,548.91	100.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Significant prepayments aged over 1 year:

Name of the entity	Relationship with the Group	Ending balance	Of which aged over one year	Amount aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for unsettlement
China Shipbuilding Trading Shanghai Co., Ltd.	The same controlling shareholders	235,995,152.19	235,995,152.19	10.98	1 to 2 years and over 3 years	Large equipment received in batches and inspected and accepted
MTU Asia Pte. Ltd.	Unrelated party	50,433,989.47	29,913,617.97	1.39	Over 3 years	Large equipment received in batches and inspected and accepted
Tognum Aisa Ltd.	Unrelated party	28,854,422.00	28,854,422.00	1.34	Over 3 years	Large equipment received in batches and inspected and accepted
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd	Same controlling shareholder	608,553,523.78	26,665,497.64	1.24	1 to 2 years, 2 to 3 years and over 3 years	Large equipment received in batches and inspected and accepted
Siemens AG	Unrelated party	6,215,114.88	6,215,114.88	0.29	Over 3 years	Large equipment received in batches and inspected and accepted
Guangzhou Xinhang Human Resources Service Co., Ltd.	Associate	5,000,000.00	5,000,000.00	0.23	Over 3 years	In the process of settlement
Total		935,052,202.32	332,643,804.68	15.47		

2. Top five prepayments by supplier based on ending balance

Name of the entity	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd	608,553,523.78	Within 1 year, 1 to 2 years, 2 to 3 years and over 3 years	28.31
China Shipbuilding Trading Co., Ltd.	268,259,314.82	Within 1 year, 1 to 2 years, 2 to 3 years and over 3 years	12.48
China Shipbuilding Trading Shanghai Co., Ltd	235,995,152.19	1 to 2 years and over 3 years	10.98
Hudong Heavy Machinery Co., Ltd.	211,286,732.33	Within 1 year	9.83
China National Shipbuilding Equipment & Materials Co., Ltd.	110,509,349.52	Within 1 year	5.14
Total	1,434,604,072.64		66.74

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(7) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividend receivable		
Other receivables	94,550,370.96	132,470,963.43
Total	94,550,370.96	132,470,963.43

Other receivables :

Name of item	Ending balance	Beginning balance
Other receivables	95,571,915.95	132,792,392.12
Less: Provision for bad debts	1,021,544.99	321,428.69
Total	94,550,370.96	132,470,963.43

(1) Breakdown of other receivables by nature

Nature of amount	Book balance as at the end of the year	Book balance as at the beginning of the year
Refundable deposit	73,094,545.98	53,543,972.74
Temporary payments receivables	98,138.36	101,138.36
Reserve funds	3,421,654.18	6,411,464.07
Other current accounts	18,957,577.43	72,735,816.95
Total	95,571,915.95	132,792,392.12

(2) Provision for bad debts

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
Beginning Balance	240,628.80	80,799.89		321,428.69
Beginning balance for the current year				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the year	657,958.30	44,368.33		702,326.63
Reversed during the year				
Offset during the year				
Written off during the year				
Other changes		-2,210.33		-2,210.33
Ending balance	898,587.10	122,957.89		1,021,544.99

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Name	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within 1 year	35,946,659.62	11,842.78	0.03
1-2 years	16,515,496.36	886,744.32	5.37
2-3 years	42,492,950.51		
3-4 years	396,362.10		
4-5 years			
Over 5 years	80,250.00		
Total	95,431,718.59	898,587.10	

- ② 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			
1-2 years			
2-3 years			
3-4 years	67,019.00	53,615.20	80.00
4-5 years	19,178.36	15,342.69	80.00
Over 5 years	54,000.00	54,000.00	100.00
Total	140,197.36	122,957.89	

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

None

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Disclosure by ageing

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year	35,946,659.62	11,813.59	0.03
1-2 years	16,515,496.36	886,773.51	5.37
2-3 years	42,492,950.51		
3-4 years	463,381.10	53,615.20	11.57
4-5 years	19,178.36	15,342.69	80.00
Over 5 years	134,250.00	54,000.00	40.22
Total	95,571,915.95	1,021,544.99	

Ageing	Beginning balance		
	Other receivable	Provision for bad debts	Percentage of provision (%)
Within one year	59,280,466.64	10,653.79	0.02
1-2 years	71,419,586.32	229,975.01	0.32
2-3 years	1,916,192.47	20,488.94	1.07
3-4 years	19,178.36	15,342.69	80.00
4-5 years	107,718.33	44,968.26	41.75
Over 5 years	49,250.00		
Total	132,792,392.12	321,428.69	

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

Type	Beginning balance	Change in the year			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts of other receivables	321,428.69	702,326.63		-2,210.33	1,021,544.99
Total	321,428.69	702,326.63		-2,210.33	1,021,544.99

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(5) Significant provisions for bad debts recovered or reversed during the year

None.

(6) Significant other receivables actually written off during the reporting period

None.

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

Name of creditor	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	Refundable deposit	38,526,178.00	2-3 years	40.31	
South China Sea Institute of Oceanology, CAS	Refundable deposit	14,359,000.00	Within 1 year	15.02	
People's Insurance Company of China Guangzhou Branch	Estimated insurance claims	8,338,945.17	1-2 years	8.73	833,894.52
Guangxin Shipbuilding & Heavy Industry Co. Ltd. (廣新海事重工股份有限公司)	Refundable deposit	8,000,000.00	1-3 years	8.37	
Guangdong COSCO Shipping Heavy Industry Co. Ltd. (廣東中遠海運重工有限公司)	Refundable deposit	3,960,000.00	Within 1 year	4.14	
Total		73,184,123.17		76.57	833,894.52

(8) Other receivables related to government grants

None.

(9) Other receivables derecognised arising from transfer of financial assets

None.

(10) Transfer of other receivables, such as securitization, factoring, etc., continue to involve amounts of assets and liabilities formed

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(8) 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 of inventories/ provision for impairment of contract performance cost	Carrying value
Raw materials	616,939,091.43	4,948,909.35	611,990,182.08	541,377,625.59	3,960,760.93	537,416,864.66
Work in progress	3,095,943,217.47	197,609,487.20	2,898,333,730.27	3,637,267,531.70	354,741,375.43	3,282,526,156.27
Contract performance cost	1,412,577,147.60		1,412,577,147.60	379,310,044.01		379,310,044.01
Goods in transit	56,959.18	56,959.18		56,959.18		56,959.18
Total	5,125,516,415.68	202,615,355.73	4,922,901,059.95	4,558,012,160.48	358,702,136.36	4,199,310,024.12

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

Item	Beginning balance	Increase for the year		Decrease for the year		Ending balance
		Provision made	Other increases	Reversal or writing-off	Others	
Raw materials	3,960,760.93	1,280,898.62			292,750.20	4,948,909.35
Work in progress	354,741,375.43	97,706,675.15			254,838,563.38	197,609,487.20
Finished goods		56,959.18				56,959.18
Goods in transit						
Total	358,702,136.36	99,044,532.95			255,131,313.58	202,615,355.73

3. Provision for impairment of inventories made

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

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

None.

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(9) 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	1,993,902,556.01		1,993,902,556.01	3,822,880,027.48		3,822,880,027.48
Contract assets related to steel structures	505,405,384.57		505,405,384.57	622,508,898.81		622,508,898.81
Outstanding warranties previously included in accounts receivable	43,135,618.75		43,135,618.75			
Total	2,542,443,559.33		2,542,443,559.33	4,445,388,926.29		4,445,388,926.29

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

Item	Amount of change	Reason for change
Contract assets relating to shipbuilding	-1,828,977,471.47	Mainly due to the fact that 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 is no longer included in the scope of consolidation this year, which also led to a significant change during the year. Outstanding warranties previously included in accounts receivable were recognised.
Contract assets relating to steel structure engineering	-117,103,514.24	
Contract assets relating to offshore engineering products	43,135,618.75	
Total	-1,902,945,366.96	

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

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

(10) Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	177,202,368.55	577,776,249.50
Prepaid enterprise income tax	617,090.36	107,866.25
Total	177,819,458.91	577,884,115.75

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(11) Long-term receivables

1. Information on long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value	
Finance lease payments	292,606,935.09		292,606,935.09				4%-8%
Including: unrealised financing income	15,726,981.93		15,726,981.93				
Receipt in instalments for sale of goods	2,146,053,464.69	67,520,400.84	2,078,533,063.85	2,061,116,322.61	64,508,442.25	1,996,607,880.36	4%-8%
Total	2,438,660,399.78	67,520,400.84	2,371,139,998.94	2,061,116,322.61	64,508,442.25	1,996,607,880.36	

2. Provision for bad debts made for long-term receivables

Provision for bad debts	Stage 1 Expected credit losses for ext 12 months	Stage 2 Expected credit losses during the whole life span (not credit impaired)	Stage 3 Expected credit losses during the whole life span credit impaired)	Total
Beginning balance			64,508,442.25	64,508,442.25
Beginning balance for the year				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the year			40,634,089.93	40,634,089.93
Reversed during the year			37,622,131.34	37,622,131.34
Offset during the year				
Written off during the year				
Other changes				
Ending balance			67,520,400.84	67,520,400.84

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

None.

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

None.

(3) 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 (%)
JUMEIRAH OFFSHORE PTE LTD	645,348,354.00	39,656,854.00	6.15
Guangdong Yuanyang Transportation Co., Ltd.	136,351,968.44	12,025,818.44	8.82
LOMAR Shipping	30,885,195.53	3,983,692.47	12.90
CMIC OCEAN EW TECH HOLDING CO LTD	22,053,801.33	977,235.93	4.43
Shenzhen Shunchang Ocean Fishery Co., Ltd.	16,628,000.00	10,876,800.00	65.41
Total	851,267,319.30	67,520,400.84	

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

None.

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

None.

(12) Long-term equity investments

1. Breakdown of long-term equity investments

Investee	Beginning balance	Change for the year							Ending balance	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		
1. Joint ventures										
2. Associates										
Guangzhou Shipyard International Company Limited	4,925,619,090.98			11,087,712.43	1,146,560.52	466,845.29				4,938,620,209.22
CSSC Huangpu Zhengji Offshore Engineering Co., Ltd.	12,658,556.12			578,836.13						13,237,392.25
Guangzhou Xinhang Human Resources Service Co., Ltd.		821,307.71								821,307.71
Sub-total	4,938,277,647.10	821,307.71		11,966,548.56	1,146,560.52	466,845.29				4,952,678,909.18
Total	4,938,277,647.10	821,307.71		11,966,548.56	1,146,560.52	466,845.29				4,952,678,909.18

2. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	4,952,678,909.18	4,938,277,647.10
Total	4,952,678,909.18	4,938,277,647.10

(13) Investments in other equity instruments

1. Information on investments in other equity instruments

Item	Ending balance	Beginning balance
At fair value through other comprehensive income	5,480,001,529.79	3,923,780,494.34
Total	5,480,001,529.79	3,923,780,494.34

2. Analysis of other equity instruments

Item	Ending balance	Beginning balance
Listed	5,451,251,263.77	3,888,828,346.79
Including: China (except Hong Kong)	5,394,217,189.36	3,849,932,273.00
Unlisted	28,750,266.02	34,952,147.55
Total	5,480,001,529.79	3,923,780,494.34

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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	Book value
Sub-total of listed	2,901,754,058.93	2,549,497,204.84	5,451,251,263.77	2,901,754,058.93	987,074,287.86	3,888,828,346.79
CSSC	2,857,883,200.00	2,533,815,767.64	5,391,698,967.64	2,857,883,200.00	989,601,864.04	3,847,485,064.04
CMIC OCEAN EW TECH HOLDING CO.,LTD	42,715,361.63	14,318,712.78	57,034,074.41	42,715,361.63	-3,819,287.84	38,896,073.79
Bank of Communications	1,155,497.30	1,362,724.42	2,518,221.72	1,155,497.30	1,291,711.66	2,447,208.96
Sub-total of unlisted	18,314,465.46	10,435,800.56	28,750,266.02	8,314,465.46	26,637,682.09	34,952,147.55
CSSC Finance Company Limited	5,828,000.00	17,655,371.96	23,483,371.96	5,828,000.00	21,318,379.81	27,146,379.81
Huangpu Hongshan Community Health Service Center	1,200,000.00	1,365,085.04	2,565,085.04	1,200,000.00	1,297,399.11	2,497,399.11
China Shipbuilding IT Co., Ltd.	800,000.00	831,923.84	1,631,923.84	800,000.00	3,494,475.00	4,294,475.00
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46	519,158.94	899,199.40	380,040.46	495,734.60	875,775.06
Guangzhou Xinzhou Service Co., Ltd.	106,425.00	64,260.78	170,685.78	106,425.00	31,693.57	138,118.57
CSSC Heavy Equipment Co., Ltd.	10,000,000.00	-10,000,000.00				
Total	2,920,068,524.39	2,559,933,005.40	5,480,001,529.79	2,910,068,524.39	1,013,711,969.95	3,923,780,494.34

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

Item	Dividend income recognised during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Sub-total of listed	7,785,648.75	2,549,497,204.84				
China CSSC Hold-ings Ltd.	7,612,322.06	2,533,815,767.64			Investments not held for trading	
CMIC OCEAN EW TECH HOLDING CO.,LTD		14,318,712.78			Investments not held for trading	
Bank of Communications Co., Ltd.	173,326.69	1,362,724.42			Investments not held for trading	
Sub-total of unlisted	1,622,415.98	20,435,800.56				
CSSC Finance Company Limited	1,369,872.00	17,655,371.96			Investments not held for trading	
Huangpu Hongshan Community Health Service Center		1,365,085.04			Investments not held for trading	
China Shipbuilding IT Co., Ltd.	116,824.88	831,923.84			Investments not held for trading	
Guangzhou Wenchuan Industrial Co., Ltd.	101,344.10	519,158.94			Investments not held for trading	
Guangzhou Xinzhou Service Co., Ltd.	34,375.00	64,260.78			Investments not held for trading	
CSSC Heavy Equipment Co., Ltd.			10,000,000.00		Investments not held for trading	
Total	9,408,064.73	2,569,933,005.40	10,000,000.00			

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(14) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance	157,433,262.96	157,433,262.96
2. Increase for the year		
3. Decrease for the year		
4. Ending balance	157,433,262.96	157,433,262.96
II. Accumulated depreciation and amortisation		
1. Beginning balance	8,171,781.30	8,171,781.30
2. Increase for the year	6,537,425.04	6,537,425.04
– Provision made or amortisation	6,537,425.04	6,537,425.04
3. Decrease for the year		
4. Ending balance	14,709,206.34	14,709,206.34
III. Provision for impairment		
1. Beginning balance		
2. Increase for the year		
3. Decrease for the year		
4. Ending balance		
IV. Carrying value		
1. Carrying value at the end of the year	142,724,056.62	142,724,056.62
2. Carrying value at the beginning of the year	149,261,481.66	149,261,481.66

Other description:

- (1) The depreciation and amortisation of investment properties recognised in profit or loss during the year is RMB6,537,425.04 (last year: RMB104,785.35).
- (2) The provision for impairment of investment properties made for the year is RMB0.00 (last year: RMB0).
- (3) Investment properties analysed by region and ageing are as follows:

Item	Ending balance	Beginning balance
Within China	142,724,056.62	149,261,481.66
Medium term (10-50 years)	142,724,056.62	149,261,481.66
Total	142,724,056.62	149,261,481.66

2. Investment properties without property ownership certificates

As at the end of the year, included in properties held for investment were with carrying amount of RMB 142,724,056.62 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
Hull joint workshop	77,356,218.57	In the process of obtaining ownership certificates
Component welding workshop	61,920,335.31	In the process of obtaining ownership certificates
Sanding and coating workshop	3,447,502.74	In the process of obtaining ownership certificates
Total	142,724,056.62	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(15) Fixed assets

1. Fixed assets and disposal of fixed assets

Type	Ending balance	Beginning balance
Fixed assets	4,740,623,077.95	3,951,950,865.11
Disposal of fixed assets	8,394.89	348,388.39
Total	4,740,631,472.84	3,952,299,253.50

2. Fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning balance	3,041,925,695.67	2,328,935,938.15	999,185,394.37	184,404,144.00	6,554,451,172.19
2. Increase for the year	209,042,218.25	63,339,939.28	908,056,995.21	29,684,534.57	1,210,123,687.31
– Additions		6,711,078.49	902,798,031.31	19,552,308.09	929,061,417.89
– Transfer from construction in progress	209,042,218.25	56,628,860.79	5,258,963.90	10,132,226.48	281,062,269.42
– Transfer from inventories					
3. Decrease for the year		22,052,980.95	199,182,142.82	7,944,473.91	229,179,597.68
– Disposal or retirement		22,052,980.95	194,485,928.82	7,364,963.45	223,903,873.22
– Decrease in scope of consolidation			4,696,214.00	579,510.46	5,275,724.46
4. Ending balance	3,250,967,913.92	2,370,222,896.48	1,708,060,246.76	206,144,204.66	7,535,395,261.82
II. Accumulated depreciation					
1. Beginning balance	929,870,863.00	1,213,309,674.40	245,354,708.37	143,614,230.91	2,532,149,476.68
2. Increase for the year	100,807,290.03	108,567,072.27	46,937,074.92	14,461,471.61	270,772,908.83
– Provision made	100,807,290.03	108,567,072.27	46,937,074.92	14,461,471.61	270,772,908.83
3. Decrease for the year		20,397,228.05	27,986,288.64	7,492,748.61	55,876,265.30
– Disposal or retirement		20,397,228.05	27,986,288.64	6,963,668.28	55,347,184.97
– Decrease in scope of consolidation				529,080.33	529,080.33
4. Ending balance	1,030,678,153.03	1,301,479,518.62	264,305,494.65	150,582,953.91	2,747,046,120.21
III. Provision for impairment					
1. Beginning balance		2,842,096.93	67,424,958.03	83,775.44	70,350,830.40
2. Increase for the year					
3. Decrease for the year		89,551.20	22,525,767.52	9,448.02	22,624,766.74
– Disposal or retirement		89,551.20	22,525,767.52	9,448.02	22,624,766.74
4. Ending balance		2,752,545.73	44,899,190.51	74,327.42	47,726,063.66
IV. Carrying value					
1. Carrying value at the end of the period	2,220,289,760.89	1,065,990,832.13	1,398,855,561.60	55,486,923.33	4,740,623,077.95
2. Carrying value at the beginning of the year	2,112,054,832.67	1,112,784,166.82	686,405,727.97	40,706,137.65	3,951,950,865.11

Other description:

The depreciation of fixed assets recognised in profit or loss during the year is RMB270,772,908.83 (last year: RMB344,631,348.19).

Included in fixed assets added during the year is transfer from construction in progress of RMB281,062,269.42.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Fixed assets leased through finance leases

None.

4. Fixed assets leased out through operating leases

Item	Carrying value
Transportation vehicles	1,336,599,856.79
Total	1,336,599,856.79

5. Buildings and structures are analysed by region and ageing as follows:

Item	Ending balance	Beginning balance
Within China	2,220,289,760.89	2,112,054,832.67
Including: Medium term (10-50 years)	2,219,837,597.56	2,111,350,722.29
Short term (within 10 years)	452,163.33	704,110.38
Total	2,220,289,760.89	2,112,054,832.67

6. Fixed assets without property ownership certificates

Item	Carrying value	Reasons for failing to obtain property certificate
Buildings and structures	9,531,140.22	Incomplete procedures, in progress

7. Disposal of fixed assets

Item	Ending balance	Beginning balance
Machinery and equipment	8,394.89	348,388.39
Total	8,394.89	348,388.39

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(16) Construction in progress

1. Construction in progress and construction materials

Type	Carrying value as at the end of the year	Carrying value as at the beginning of the year
Construction projects in progress	229,186,214.27	348,779,440.60
Construction materials		
Total	229,186,214.27	348,779,440.60

2. Construction projects in progress

Type	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Technology reform project	53,036,650.86		53,036,650.86	48,787,452.89		48,787,452.89
Project 8	47,986,658.81		47,986,658.81	154,547,454.34		154,547,454.34
Residential project	35,651,749.35		35,651,749.35	35,651,749.35		35,651,749.35
Project 9	34,488,995.01		34,488,995.01	35,559,422.91		35,559,422.91
Investment projects	26,868,228.55		26,868,228.55	25,972,512.72		25,972,512.72
Reconstruction of sinkage dock pit for repairing and berthing of 150 meters floating dock	14,801,665.88		14,801,665.88			
Project 5	1,326,443.47		1,326,443.47	10,303,425.37		10,303,425.37
Offshore platform project				30,224,122.73		30,224,122.73
Other projects	15,025,822.34		15,025,822.34	7,733,300.29		7,733,300.29
Total	229,186,214.27		229,186,214.27	348,779,440.60		348,779,440.60

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Changes in material construction in progress during the period

Name of project	Budget	Beginning balance	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	Ending balance	Ratio of accumulated contribution to the construction to budget (%)	Progress of construction	Accumulated amount of capitalised interest	Including capitalised amount of interest in the period	Rate of capitalisation of interest in the period (%)	Source of funding
Project 8	453,000,000.00	154,547,454.34	56,584,359.78	163,145,155.31		47,986,668.81	100.00	Under construction				State-subsidized/Self-financed
Project 9	216,900,000.00	35,559,422.91	22,322,457.45	23,392,885.35		34,488,995.01	90.60	Under construction				State-subsidized/Self-financed
Investment projects	683,000,000.00	25,972,512.72	24,480,626.94	23,584,911.11		26,868,228.55	89.39	Under construction				Self-financed/loan
Reconstruction of sinkage dock pit for repairing and berthing of 150 meters floating dock	29,800,000.00		14,801,665.88			14,801,665.88	49.67	Under construction				Self-financed
Changzhou aluminum workshop extension project	26,100,000.00		11,437,042.70	5,165,582.34		6,271,450.36	43.82	Under construction				Self-financed
Project 5	119,420,000.00	10,303,425.37		8,976,981.90		1,326,443.47	100.00	Under construction	3,045,377.25			State-subsidized/Self-financed
Offshore platform project	278,630,000.00	30,224,122.73		30,224,122.73			100.00	Completed	22,039,060.45			Self-financed/loan
Total		256,606,938.07	129,626,152.75	254,489,646.74		131,743,442.08			25,084,437.70			

(17) Right-of-use assets

Item	Land	Buildings and structures	Machines and equipment	Total
I. Original carrying amount				
1. Beginning balance	33,250,756.72	130,626,003.53	188,583.97	164,065,344.22
2. Increase for the year		109,612,575.93		109,612,575.93
– Increase in leases		109,612,575.93		109,612,575.93
3. Decrease for the year		348,353.00	158,716.66	507,069.66
4. Ending balance	33,250,756.72	239,890,226.46	29,867.31	273,170,850.49
II. Accumulated depreciation				
1. Beginning balance	14,153,414.35	33,758,582.96	152,744.67	48,064,741.98
2. Increase for the year	6,530,482.56	29,679,356.24	35,839.30	36,245,678.10
– Provision made	6,530,482.56	29,679,356.24	35,839.30	36,245,678.10
3. Decrease for the year		348,353.00	158,716.66	507,069.66
4. Ending balance	20,683,896.91	63,089,586.20	29,867.31	83,803,350.42
III. Provision for impairment				
1. Beginning balance				
2. Increase for the year				
3. Decrease for the year				
4. Ending balance				
IV. Carrying value				
1. Carrying value at the end of the year	12,566,859.81	176,800,640.26		189,367,500.07
2. Carrying value at the beginning of the year	19,097,342.37	96,867,420.57	35,839.30	116,000,602.24

Other explanations: The depreciation of right-of-use assets recognized in the profit or loss during the year is RMB36,245,678.10 (last year: RMB25,989,654.54).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(18) Intangible assets

1. Breakdown of intangible assets

Item	Land use rights	Software	Others	Total
I. Original carrying amount				
1. Beginning balance	1,014,357,263.86	86,807,710.72	1,063,675.00	1,102,228,649.58
2. Increase for the year		43,406,106.64		43,406,106.64
– Additions		43,406,106.64		43,406,106.64
3. Decrease for the year				
4. Ending balance	1,014,357,263.86	130,213,817.36	1,063,675.00	1,145,634,756.22
II. Accumulated amortisation				
1. Beginning balance	139,631,028.82	43,280,109.69	378,970.28	183,290,108.79
2. Increase for the year	20,376,837.72	8,045,725.40	305,585.16	28,728,148.28
– Provision made	20,376,837.72	8,045,725.40	305,585.16	28,728,148.28
3. Decrease for the year				
4. Ending balance	160,007,866.54	51,325,835.09	684,555.44	212,018,257.07
III. Provision for impairment				
1. Beginning balance				
2. Increase for the year				
3. Decrease for the year				
4. Ending balance				
IV. Carrying value				
1. Carrying value at the end of the year	854,349,397.32	78,887,982.27	379,119.56	933,616,499.15
2. Carrying value at the beginning of the year	874,726,235.04	43,527,601.03	684,704.72	918,938,540.79

Other explanations:

- (1) There were no intangible assets arising from internal research and development of the Company during the year.
- (2) The depreciation and amortisation of intangible assets recognised in profit or loss during the year is RMB28,728,148.28 (last year: RMB31,514,174.19).
- (3) Land use rights analysed by region and term:

Item	Ending balance	Beginning balance
Within China	854,349,397.32	874,726,235.04
Including: Medium term (10-50 years)	854,349,397.32	874,726,235.04
Total	854,349,397.32	874,726,235.04

2. Land use rights without real estate certificates

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(19) Research and development expenses

Item	Beginning balance	Increase for the year		Decrease for the year		Others	Ending balance	Capitalization start point	Detailed basis for capitalization	Year-end R&D Progress
		Internal research and development expenses	Others	Recognized as intangible assets	Transferred to current profit or loss					
Research on key technology of antarctic krill boat fishing and deep processing		32,900,729.43			32,900,729.43					
Construction of the experimental test environment for the industrial Internet platform in the shipbuilding industry cluster of Guangdong Province		26,787,065.00			26,787,065.00					
Research on key technologies for the design and construction of a new type of 85,000-ton Panamax bulk carrier		21,596,531.62			21,596,531.62					
Research on key technology of design and building train transport ships		21,573,341.68			21,573,341.68					
Research on key technologies for design and building of 2700TEU green energy-saving container ship		20,785,766.35			20,785,766.35					
Development of 2038TEU-class feeder container ship		19,750,853.68			19,750,853.68					
Construction of level two section of industrial internet identification of ship industry		17,703,457.66			17,703,457.66					
Research on key technologies for design and building of Dexiang 1900TEU container ship		15,398,514.90			15,398,514.90					
Ship advanced manufacturing process tooling research and development (Phase II)		15,332,525.37			15,332,525.37					
Research on Key Technologies of semi-submersible ships for both military and civil uses		15,311,899.58			15,311,899.58					
Research on key technology of design and construction of 9,500 tons bulk carrier		15,179,585.20			15,179,585.20					
9500m ³ LEG/LPG/LNG transportation and bunker		14,825,438.13			14,825,438.13					
2019 complete equipment project of total assembly and construction of ships		14,552,574.21			14,552,574.21					
Research and development of advanced manufacturing process tooling for marine engineering equipment (Phase II)		14,017,994.62			14,017,994.62					
Research of localized design and building Technologies		13,058,681.87			13,058,681.87					
Research on key technology of design and building of intelligent supporting mother ship		11,930,900.45			11,930,900.45					
Research on technology of design and building of two thousand tons self-propelled wind power platform		11,748,471.99			11,748,471.99					
Research on key technology of design and building of Sanya transport ships		11,279,530.75			11,279,530.75					
Research on Special Test Technology of Prototype Ship Principle		10,884,647.49			10,884,647.49					
Research on key technologies for the design and construction of gas hydrate drilling and production ship		10,766,795.87			10,766,795.87					
Research on key technologies for design and building of 1080TEU container ship		10,554,866.67			10,554,866.67					
Research and manufacturing of suction dredger 2# of 6,000 cubic metres rakes		10,339,169.64			10,339,169.64					
Research on key technologies for the assembly and construction of gas hydrate drilling and production ship (Ocean Drilling)		9,894,365.78			9,894,365.78					
Research on key technologies for the design and construction of large-scale patrol and rescue ships for Hainan maritime affairs		9,418,134.57			9,418,134.57					
Research of common key processes and technologies for smart manufacturing of ships		9,352,772.69			9,352,772.69					
Research on key technologies for the design and construction of a new type of offshore towing work vessel		9,212,806.23			9,212,806.23					
Development and application demonstration of floating offshore wind power equipment (Self-financing)		8,119,528.30			8,119,528.30					
Research on key technology of design and building of 5,000 cubic metres LPG ships		7,840,189.83			7,840,189.83					
Research and manufacturing of suction dredger of 4,500 cubic metres rakes		7,807,927.73			7,807,927.73					
Research and manufacturing of 1500TEU container ship		7,650,941.57			7,650,941.57					

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Item	Beginning balance	Increase for the year		Decrease for the year		Others	Ending balance	Capitalization start point	Detailed basis for capitalization	Year-end R&D Progress
		Internal research and development expenses	Others	Recognized as intangible assets	Transferred to current profit or loss					
Research on key technologies of design and construction of steel shell immersed pipes on Linjiang Avenue		7,515,496.52			7,515,496.52					
Industrial Internet Platform R&D Project		7,247,022.26			7,247,022.26					
Research on key technologies for design and construction of large-scale maritime patrol ship		7,135,401.96			7,135,401.96					
Development of 7800KW self-propelled cutter suction dredger		6,022,046.18			6,022,046.18					
Independent research and development new type 1900TEU container ship		5,686,183.70			5,686,183.70					
Research and development of Antarctic krill ships		5,651,069.43			5,651,069.43					
Research on U-rib robot welding technology of bridge beam plate unit		5,631,328.16			5,631,328.16					
Development of engineering prototype of marine 400mm bore low-speed dual-fuel engine (Phase I)		4,823,569.64			4,823,569.64					
Research on efficient construction technology of wind power single pile integrated ancillary components		4,464,695.39			4,464,695.39					
Research on highly efficient construction technology of pile group in offshore wind power foundation		4,261,634.39			4,261,634.39					
Manufacturing big data-driven predictive operation and precise service technology and system		4,212,566.75			4,212,566.75					
Research on key technologies of solar and wind powered unmanned ships		4,198,808.73			4,198,808.73					
Research of new process of new type of ship		4,197,863.94			4,197,863.94					
Research on key technology of design and construction of four spud legs working platform		3,931,163.16			3,931,163.16					
Development and demonstration application of deep-sea optical AUV system		3,870,570.10			3,870,570.10					
Research on construction technology of suction tube racks for offshore wind power		3,854,749.12			3,854,749.12					
Research on the accuracy of the super-large-scale segmentation pre-assembly of steel truss		3,854,122.26			3,854,122.26					
Research on key technology of outfitting manufacturing of field bridge		3,651,179.63			3,651,179.63					
Research on key technology of construction and installation of single span composite beam bridge		3,572,988.36			3,572,988.36					
Research on the Key technology of added and modified of Marine Police Law Enforcement Ship		3,540,315.71			3,540,315.71					
Research on new process technology based on the efficient construction of new ships		3,463,753.29			3,463,753.29					
Development and application demonstration of floating offshore wind power equipment (Special funds)		3,333,450.43			3,333,450.43					
Research on optimization and upgrade of 85000DWT bulk carrier		3,324,937.80			3,324,937.80					
Research on key technology of design, construction and installation of two-span steel truss cable-stayed bridge with single tower		3,190,836.06			3,190,836.06					
Study of automatic welding technology for batch outfitting applications		3,158,362.58			3,158,362.58					
Critical production technology study for aluminium alloy outfitting		3,144,333.75			3,144,333.75					
Research on efficient manufacturing technology of pipe support		2,997,227.82			2,997,227.82					
Research on key technology of construction of lifting beam spreader in Shenzhen-Zhongshan Bridge		2,953,634.53			2,953,634.53					
4A research of new process		2,488,349.00			2,488,349.00					
Research and application of integrated platform		2,484,581.11			2,484,581.11					
R&D and industrialization of large-scale deep water multifunctional wind power platform (Self-financed)		2,210,530.49			2,210,530.49					
Research on key technologies for the design and construction of a new type of geophysical comprehensive scientific research ship		2,040,223.58			2,040,223.58					
Other projects		59,781,164.94			59,781,164.94					
Totals		617,470,169.63			617,470,169.63					

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(20) Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases	Ending balance
General tooling	14,936,492.55	8,571,250.18	3,090,308.76		20,417,433.97
Collective dormitory renovation project		11,626,195.88	290,654.90		11,335,540.98
High span roof restoration works		8,042,663.30	201,066.58		7,841,596.72
Canteen upgrading project		5,872,205.09	47,685.04		5,824,520.05
13-metre beam of Shipyard Division	4,935,183.75	925,978.25	827,713.26		5,033,448.74
Other projects	1,338,549.04		554,445.48		784,103.56
Total	21,210,225.34	35,038,292.70	5,011,874.02		51,236,644.02

(21) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deductible tax loss	1,636,466,945.46	264,850,237.38	1,518,268,263.21	258,023,239.48
Provision for impairment of assets	326,288,661.94	51,928,163.35	446,123,375.97	67,198,613.98
Estimated liabilities	130,900,198.10	22,417,370.43	157,861,510.00	26,331,986.61
Payroll for retiring employees	171,769,552.76	25,840,909.95	171,314,770.32	25,772,692.58
Difference in the time of amortisation of long-term prepaid expenses			990,290.60	247,572.65
Change in fair value of investments in other equity instruments			16,756,667.03	2,513,500.06
Total	2,265,425,358.26	365,036,681.11	2,311,314,877.13	380,087,605.36

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 investments in other equity instruments	2,559,933,005.39	637,371,527.58	1,015,752,326.72	251,323,035.42
Change in fair value of financial assets held-for-trading	178,721,282.17	26,849,292.34	198,875,532.91	30,045,087.89
Timing difference arising from depreciation methods of fixed assets			903,382.86	149,058.17
Total	2,738,654,287.56	664,220,819.92	1,215,531,242.49	281,517,181.48

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	68,251,782.82	67,699,330.08
Deductible tax loss	286,343,781.04	212,886,748.13
Total	354,595,563.86	280,586,078.21

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

Year	Ending balance	Beginning balance	Notes
2021		51,262,939.86	
2022	1,033,109.02	1,033,109.02	
2023	23,991,883.51	23,991,883.51	
2024	30,902,123.98	30,902,123.98	
2025	81,732,291.22	81,732,291.22	
2026	46,886.17		
2027	4,681,550.04	4,681,550.04	
2028	5,782,211.92	5,782,211.92	
2029	233,487.78	233,487.78	
2030	13,267,150.80	13,267,150.80	
2031	124,673,086.60		
Total	286,343,781.04	212,886,748.13	

(22) Other non-current assets

Item	Ending balance			Beginning balance		
	Book balance	Provision of impairment	Carrying value	Book balance	Provision of impairment	Carrying value
Relocation expenses to be written off	474,655,401.48		474,655,401.48	313,168,786.04		313,168,786.04
Advances for non-current assets	56,453,646.07		56,453,646.07	58,820,490.99		58,820,490.99
Hedge instruments	196,955,482.65		196,955,482.65			
Others				17,860,932.26		17,860,932.26
Total	728,064,530.20		728,064,530.20	389,850,209.29		389,850,209.29

Note: Relocation expenses to be written off represented the assets disposal expense and labour costs incurred as a result of the relocation of plant of Wenchong Shipyard due to the shutdown of some docks, which will be used to offset upon the confirmation of asset transfer.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(23) Short-term borrowings

1. Breakdown of short-term borrowings

Item	Ending balance	Beginning balance
Guaranteed borrowings		175,094,111.11
Credit loans	1,914,936,125.56	1,874,777,555.59
Total	1,914,936,125.56	2,049,871,666.70

2. Outstanding overdue short-term borrowings:

None.

3. Weighted average annual interest rate of short-term borrowings

As at the end of the year, the weighted average annual interest rate of short-term borrowings was 2.9596%.

(24) Notes payable

Types	Ending balance	Beginning balance
Commercial acceptance bills	2,177,906,127.63	1,956,667,659.28
Bank acceptance bills	346,739,464.63	335,534,935.80
Total	2,524,645,592.26	2,292,202,595.08

Other explanations:

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

Among the above notes payable of the Group as at the end of the year, RMB1,629,901,461.83 had an ageing of less than 180 days, and RMB894,744,130.43 had an ageing of 181-360 days.

(25) Accounts payable

Account payable is non-interest-bearing and is normally settled within one year. Account payable aged over one year is mainly construction payable which will be settled after settlement.

1. Breakdown of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	4,630,638,571.97	4,412,415,946.52
Payment for projects under construction	105,650,476.71	137,357,317.66
Retention money	634,496,577.80	548,165,604.67
Other construction and labour services	481,093,125.83	489,194,700.52
Total	5,851,878,752.31	5,587,133,569.37

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Ageing	Ending balance	Beginning balance
Within one year	4,203,605,565.16	2,875,172,053.45
1-2 years	497,879,913.84	1,389,474,863.76
2-3 years	530,647,803.84	396,841,239.38
Over 3 years	619,745,469.47	925,645,412.78
Total	5,851,878,752.31	5,587,133,569.37

Of which, significant accounts payable aged over one year:

Name of entity	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
CSSC Systems Engineering Research Institute	450,047,008.75	101,397,356.01	Account payable and warranty
China Shipbuilding Industry Corporation 713 Research Institute	134,270,825.00	37,713,000.00	Account payable and warranty
China Shipbuilding Industry Corporation 704 Research Institute	119,545,646.06	37,627,850.06	Account payable and warranty
Guangzhou Wenchong Industrial Co., Ltd	115,291,232.85	100,284,244.93	Account payable and warranty
Nanjing Keruida Electronic Equipment Co., Ltd	97,454,400.00	95,442,000.00	Account payable and warranty
China Shipbuilding Industry Corporation 726 Research Institute	51,098,000.00	14,548,000.00	Account payable and warranty
Guangzhou Ship Industrial Co., Ltd.	50,328,162.22	35,484,474.65	Account payable and warranty
Guangzhou Shipyard International Company Limited	31,875,366.64	15,439,353.08	Account payable and warranty
China Shipbuilding Industry Corporation 707 Research Institute	30,299,625.00	21,977,600.00	Account payable and warranty
China United Shipbuilding Company Limited	27,361,154.86	13,656,840.76	Account payable and warranty
Wenzhou Bohong Electric Co., Ltd	20,235,640.64	19,601,709.00	Account payable and warranty
Changshu Electronic Instrument Factory	19,579,416.62	19,579,416.62	Account payable and warranty
Shanghai Broadcasting and TV communication technology limited company	15,537,645.45	10,075,645.45	Account payable and warranty
Siberheim (Shanghai) Marine Equipment Technology Co., Ltd.	15,047,510.51	15,047,510.51	Account payable and warranty
Changzhou Huifeng Marine Accessories Manufacturing Co., Ltd	12,186,700.46	12,186,700.46	Account payable and warranty
Fujian Haiyi Ship Equipment Co., Ltd.	11,180,871.00	11,180,871.00	Account payable and warranty
Total	1,201,339,206.06	561,242,572.53	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(26) Advance from customers

Item	Ending balance	Beginning balance
Rent received in advance		7,855,200.00
Total		7,855,200.00

(27) Contract liabilities

1. Information on contract liabilities

Item	Ending balance	Beginning balance
Advance from customers for shipbuilding products	6,633,231,156.70	3,754,214,390.43
Advance from customers for offshore engineering products	777,738,317.57	303,900,444.87
Advance from customers for steel structures	266,858,106.50	27,518,035.03
Advance from customers for ship maintenance and modification	1,632,015,796.31	726,688,283.83
Advance from customers for electromechanical products and others	38,996,148.47	359,918,574.98
Total	9,348,839,525.55	5,172,239,729.14

Other explanations: The income included in the beginning carrying value of contract liabilities was recognised as RMB2,776,856,612.41 in the current year.

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

Item	Amount of change	Reason for change
Advance from customers for shipbuilding products	2,879,016,766.27	When revenue is recognised using temporal method, there is a difference between the point of receipt of contract payments in advance and the point of acceptance. When revenue is recognised using time phasing, there is a difference between the progress of collection and the progress of performance.
Advance from customers for offshore engineering products	473,837,872.70	
Advance from customers for steel structures	239,340,071.47	
Advance from customers for ship maintenance and modification	905,327,512.48	
Advance from customers for electromechanical products and others	-320,922,426.51	
Total	4,176,599,796.41	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(28) Employee benefits payable

1. Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term remuneration	851,463.48	2,408,164,558.04	2,408,760,560.02	255,461.50
Post-employment benefits – defined contribution plans		154,187,246.84	154,081,452.84	105,794.00
Termination benefits		8,057,970.15	8,057,970.15	
Total	851,463.48	2,570,409,775.03	2,570,899,983.01	361,255.50

2. Short-term remuneration

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
(1) Salaries, bonuses, allowances and subsidies		867,160,881.50	867,160,881.50	
(2) Employee benefits	34,935.97	33,807,588.68	33,842,524.65	
(3) Social insurance contribution Including: Medical insurance Contribution and Maternity insurance contribution		53,735,542.11	53,735,542.11	
Work-related injury insurance contribution		1,398,335.99	1,398,335.99	
(4) Housing Provident Fund		100,306,796.00	100,306,796.00	
(5) Labour union & employee education funds	816,527.51	23,531,896.31	24,092,962.32	255,461.50
(6) Short-term paid leaves				
(7) short-term benefits sharing scheme				
(8) Outsourcing labour costs and others		1,328,223,517.45	1,328,223,517.45	
Total	851,463.48	2,408,164,558.04	2,408,760,560.02	255,461.50

3. Defined contribution plans

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

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

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		117,594,335.89	117,594,335.89	
Unemployment insurance contribution		3,103,054.87	3,103,054.87	
Annuity		33,489,856.08	33,384,062.08	105,794.00
Total		154,187,246.84	154,081,452.84	105,794.00

Note: The defined benefit plan contributions payable by the Group for the year amounted to RMB154,187,246.84 (last year: RMB43,339,801.26). As at the end of the year, contribution payable of the Group amounting to RMB105,794.00 (as at the beginning of the year: RMB0) was due and outstanding during the Reporting Period, which had been paid subsequent to the end of the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(29) Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	2,278,478.72	1,573,033.96
Enterprise income tax	14,340,743.42	14,361,608.03
City maintenance and construction tax	152,170.21	112,321.46
Property tax	373,607.11	192,204.97
Land use tax	919.92	919.92
Individual income tax	12,758,363.82	9,227,957.11
Educational surcharge	108,693.01	80,229.61
Stamp duty	5,027,135.48	492,423.75
Environmental protection tax	6,147.78	14,124.04
Total	35,046,259.47	26,054,822.85

(30) Other payables

Item	Ending balance	Beginning balance
Interest payable		
Dividends payable	312,941.09	304,042.49
Other payables	184,932,612.65	158,506,420.92
Total	185,245,553.74	158,810,463.41

1. Dividends payable

Item	Ending balance	Beginning balance
Dividends for ordinary shares	312,941.09	304,042.49
Including: Dividends payable for A shares	74,989.77	66,091.17
Dividends payable for H shares	237,951.32	237,951.32
Total	312,941.09	304,042.49

2. Other payables

(1) Other payables by nature

Item	Ending balance	Beginning balance
Deposits received	107,295,176.53	44,232,386.80
Payables for temporary receipts	77,637,436.12	114,274,034.12
Total	184,932,612.65	158,506,420.92

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) Explanation on significant other payables aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
Guangzhou Wenchong Industrial Co., Ltd.	32,000,000.00	Allowance for factory relocation
Guangzhou Development Zone Treasury Centralized Payment Center	3,890,000.00	Accounts received and paid
DIG Automation Engineering (Wuhan) Co., Ltd.	1,719,700.00	Performance deposit
Guangzhou Market Supervision and Administration Bureau	1,330,951.00	Performance deposit
No. 5 Engineering Company of CCCC First Harbor Engineering Co. Ltd.	1,052,580.00	Performance deposit
Total	39,993,231.00	

(31) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	925,515,625.01	2,861,561,365.21
Lease liabilities due within one year	25,703,570.91	22,690,932.87
Total	951,219,195.92	2,884,252,298.08

(32) Other current liabilities

Item	Ending balance	Beginning balance
Advances from customers for shipbuilding orders cancelled	71,610,821.50	101,975,350.89
Output value-added tax payable	53,817,056.52	46,584,953.94
Supply chain notes that are not derecognised at the end of the period	47,984,518.09	
Factoring business that is not derecognised	15,000,000.00	
Bank acceptance of bills that are unexpired and derecognised at the end of period	14,335,512.05	170,770,935.16
Total	202,747,908.16	319,331,239.99

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(33) Long-term borrowings

Classification of long-term borrowings:

Item	Ending balance	Beginning balance
Guaranteed borrowings	1,165,654,958.34	445,250,861.11
Credit loans	2,949,277,966.44	4,534,032,146.44
Total	4,114,932,924.78	4,979,283,007.55
The carrying amount of the above borrowings shall be repaid:		
Within one year	925,515,625.01	2,861,561,365.21
Over one year but less than two years after balance sheet date	932,709,133.33	835,463,375.01
Over two years but less than five years after balance sheet date	1,000,858,611.11	
Over five years after balance sheet date	1,255,849,555.33	1,282,258,267.33
Less: Amount due within one year, as shown under current liabilities	925,515,625.01	2,861,561,365.21
Amount shown under non-current liabilities	3,189,417,299.77	2,117,721,642.34

Other notes:

Details of guarantee: As at the end of the period, of RMB1,165,000,000.00 was guaranteed by the Huangpu Wenchong for Wenchong Shipyard.

Details of interest rates: Long-term borrowing interest rates mainly fluctuate in the range of 1.08-3.00%. As at the end of the year, weighted average annual interest rate of long-term borrowings was 2.0178%.

(34) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment amount	214,636,815.80	133,465,990.30
Less: Unrecognized financing cost	19,154,267.34	14,280,905.18
Less: Lease liability due within one year	25,703,570.91	22,690,932.87
Total	169,778,977.55	96,494,152.25

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(35) Long-term employee benefits payable

1. Breakdown of long term employee benefits payable

Item	Ending balance	Beginning balance
I. Post-employment benefits – net liabilities for defined benefit plans	143,437,341.45	157,759,505.39
II. Dismissal benefits		
III. Other long-term benefits		
IV. Financial assistance for property purchase	8,727,879.00	8,883,410.00
Total	152,165,220.45	166,642,915.39

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

2. Changes in defined benefit plans

(1) Present value of obligations under defined benefit plans

Item	Amount for the year	Amount for last year
1. Beginning balance	157,759,505.39	178,290,000.00
2. Cost of defined benefits included in profit or loss for the period	5,127,183.98	5,543,200.00
(1) Service cost for current period		
(2) Service cost for previous period		
(3) Gains on settlement (Loss expressed with "-")		
(4) Net interest	5,127,183.98	5,543,200.00
3. Cost of defined benefits included in other comprehensive income	522,999.81	-754,770.32
(1) Gains on settlement (Loss expressed with "-")	522,999.81	-754,770.32
4. Other changes	-19,972,347.73	-25,318,924.29
(1) Liabilities eliminated upon settlement		-7,730,000.00
(2) Benefits paid	-19,972,347.73	-17,588,924.29
(3) Decrease in scope of consolidation		
5. Ending balance	143,437,341.45	157,759,505.39

(2) Net liabilities (net assets) under defined benefit plans

Item	Amount for the year	Amount for last year
1. Beginning balance	157,759,505.39	178,290,000.00
2. Cost of defined benefits included in profit or loss for the period	5,127,183.98	5,543,200.00
3. Cost of defined benefits included in other comprehensive income	522,999.81	-754,770.32
4. Other changes	-19,972,347.73	-25,318,924.29
5. Ending balance	143,437,341.45	157,759,505.39

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Post-employment actuarial assumptions and sensitivity analysis

(1) The actuarial evaluation report was issued by Towers Watson Management Consulting (Shenzhen) Co.Ltd. on 16 April 2020. Actuary: Wu Haichuan, a member of Society of Actuaries, an Actuary of China, and a Chartered Enterprise Risk Analyst.

(2) Actuarial calculation method: projected unit credit method

(3) Actuarial assumption

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

Annual turnover rate: 4%

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

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

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

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

(4) Sensitivity analysis of actuarial assumption:

Sensitivity analysis of discount rate	Change in present value of determining the obligation of beneficiary plan (RMB ten thousand)
Increase by 0.25 percentage point	-310
Decrease by 0.25 percentage point	323

(36) Estimated liabilities

Item	Ending balance	Beginning balance
Product quality warranty	116,301,121.03	121,689,661.93
Pending loss contract	1,223,696.25	24,963,653.40
Total	117,524,817.28	146,653,315.33

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(37) Deferred income

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Government grants	78,742,779.90	79,070,943.40	68,206,115.13	89,607,608.17
Total	78,742,779.90	79,070,943.40	68,206,115.13	89,607,608.17

Projects with government grants

Item	Beginning balance	New grants received during the year	Amount included in non-operating income during the year	Amount included in other income during the year	Other changes	Ending balance	Relating to assets/ relating to revenue
Research of localized design and building	27,390,000.00	13,000,000.00		10,600,000.00		29,790,000.00	Relating to revenue
Research on key technologies of design and construction of deepwater drilling and production ships		20,000,000.00			-2,050,000.00	17,950,000.00	Relating to revenue
Research on key technologies for the assembly and construction of gas hydrate drilling and production ship (Ocean Drilling)		22,400,000.00			-4,580,000.00	17,820,000.00	Relating to revenue
Separation and transfer of water, power and gas supply and property management business	7,198,799.82		1,820,129.88			5,378,669.94	Relating to revenue
Localization development and application verification of 1561 aluminium alloy (Russian series) and its supporting materials	5,770,000.00	2,810,000.00		5,580,000.00		3,000,000.00	Relating to revenue
Manufacturing big data-driven predictive operation and precise service technology and system	7,640,000.00	600,000.00			-5,560,000.00	2,680,000.00	Relating to revenue
Research grants from Finance Bureau of Guangzhou Nansha District		2,500,000.00				2,500,000.00	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
Safety controllable application demonstration project for key information infrastructure of large-scale JYJC Scientific research and production		1,340,000.00				1,340,000.00	Relating to revenue
Development and application of key technology of high-end underwater welding power source		1,250,000.00				1,250,000.00	Relating to revenue
Research on smart manufacturing standards of total assembly of ships	110,000.00	1,110,000.00				1,220,000.00	Relating to revenue
Other projects	29,133,980.08	14,060,943.40		34,435,985.25	-3,580,000.00	5,178,938.23	Relating to revenue
Total	78,742,779.90	79,070,943.40	1,820,129.88	50,615,985.25	-15,770,000.00	89,607,608.17	

Note: Other changes represent transfers to participating units.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(38) Other non-current liabilities

Item	Ending balance	Beginning balance
Hedged item	196,955,482.65	
Total	196,955,482.65	

(39) Share capital

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

Current year

Item	Beginning balance		Increase or decrease (+, -) during the year					Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction									
Ordinary shares denominated in RMB	821,435,181.00	58.11						821,435,181.00	58.11
Overseas listed foreign shares	592,071,197.00	41.89						592,071,197.00	41.89
Shares subject to selling restriction									
Ordinary shares denominated in RMB									
Shares held by foreign investors									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Last year

Item	Beginning balance		Increase or decrease (+, -) during the year					Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction									
Ordinary shares denominated in RMB	821,435,181.00	58.11						821,435,181.00	58.11
Overseas listed foreign shares	592,071,197.00	41.89						592,071,197.00	41.89
Shares subject to selling restriction									
Ordinary shares denominated in RMB									
Shares held by foreign investors									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(40) Capital reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	9,224,996,115.28	83,200,000.00		9,308,196,115.28
Other capital reserve	66,565,036.68	530,287.62		67,095,324.30
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	9,309,822,030.75	83,730,287.62		9,393,552,318.37

Note: The increase in share premium during the current year was due to the increase in the state-owned exclusive capital reserve this year; The increase in other capital reserves in the current year was due to the changes in the capital reserves and special reserves of associates recognized according to the shareholding ratio and the increase in capital reserve recognized for capital increase in subsidiaries.

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	9,332,395,757.24	437,770,000.00	545,169,641.96	9,224,996,115.28
Other capital reserve	68,285,143.52	1,094,077.74	2,814,184.58	66,565,036.68
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	9,418,941,779.55	438,864,077.74	547,983,826.54	9,309,822,030.75

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(41) Other comprehensive income

Current year

Item	Beginning balance	Amount for the year					Amount attributable to minority interests after tax	Ending balance
		Amount before income tax for the year	Less: Amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax		
1. Other comprehensive income that may not be subsequently reclassified to profit or loss	701,678,387.92	1,556,844,596.16		-552,454.07	387,036,328.33	1,165,034,081.59	4,774,186.24	1,867,264,923.58
Including: Change in remeasurement of defined benefit plans	-66,853,030.09	-522,999.81			-68,217.37	-248,025.15	-206,757.29	-67,101,055.24
Other comprehensive income that cannot be transferred to profit or loss under the equity method	-1,977,674.93	1,146,560.52		-552,454.07		1,146,560.52		-278,660.34
Change in fair value of investments in other equity instruments	770,509,092.94	1,556,221,035.45			387,104,545.70	1,164,135,546.22	4,980,943.53	1,934,644,639.16
2. Other comprehensive income that will be subsequently reclassified to profit or loss	-2,657,954.02	-1,582,570.18				-854,457.00	-728,113.18	-3,512,411.02
Including: Exchange differences arising from translation of foreign currency financial statements	-2,657,954.02	-1,582,570.18				-854,457.00	-728,113.18	-3,512,411.02
Total other comprehensive income	699,020,433.90	1,555,262,025.98		-552,454.07	387,036,328.33	1,164,179,624.59	4,046,073.06	1,863,752,512.56

Last year

Item	Beginning balance	Amount for the year					Amount attributable to minority interests after tax	Ending balance
		Amount incurred for the period before income tax	Less: Amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax		
1. Other comprehensive income that may not be subsequently reclassified to profit or loss	-40,528,773.76	981,254,120.75		-3,358,682.58	243,386,548.20	738,848,479.10	-980,906.55	701,678,387.92
Including: Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	-66,544,307.71	-754,770.32			-188,692.58	-308,722.38	-257,355.36	-66,853,030.09
Other comprehensive income that cannot be transferred to profit or loss under the equity method		-1,977,674.93				-1,977,674.93		-1,977,674.93
Change in fair value of investments in other equity instruments	26,015,533.95	983,986,566.00		-3,358,682.58	243,575,240.78	741,134,876.41	-723,551.19	770,509,092.94
2. Other comprehensive income that will be subsequently reclassified to profit or loss	-1,166,143.54	-2,763,035.21				-1,491,810.48	-1,271,224.73	-2,657,954.02
Including: Exchange differences arising from translation of foreign currency financial statements	-1,166,143.54	-2,763,035.21				-1,491,810.48	-1,271,224.73	-2,657,954.02
Total other comprehensive income	-41,694,917.30	978,491,085.54		-3,358,682.58	243,386,548.20	737,356,668.62	-2,252,131.28	699,020,433.90

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(42) Special reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee		19,765,461.51	19,765,461.51	
Total		19,765,461.51	19,765,461.51	

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee	443,910.04	21,316,322.60	21,760,232.64	
Total	443,910.04	21,316,322.60	21,760,232.64	

(43) Surplus reserve

Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	1,016,032,142.42	6,445,322.88		1,022,477,465.30
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	1,035,952,912.65	6,445,322.88		1,042,398,235.53

Note: The increase in statutory surplus during the current year was due to the provision of 10% of the net profit after making up the losses in accordance with the provisions of the Articles of Association of the Company.

Last year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	942,532,002.78	79,792,823.53	6,292,683.89	1,016,032,142.42
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	962,452,773.01	79,792,823.53	6,292,683.89	1,035,952,912.65

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(44) Undistributed profit

Item	Current year	Last year
Undistributed profits as at the end of last year before adjustment	1,973,789,791.39	-1,605,393,084.53
Beginning adjustment to undistributed profits ("+" for plus; "-" for less)		
Undistributed profits as at the beginning of the year after adjustment	1,973,789,791.39	-1,605,393,084.53
Add: Net profit attributable to owners of the Company for the year	79,387,401.00	3,662,334,382.03
Add: Transfer from other comprehensive income to retained earnings	-552,454.07	-3,358,682.58
Less: Statutory surplus reserve set aside	6,445,322.88	79,792,823.53
Dividend payable on ordinary shares	234,642,058.75	
Undistributed profits as at the end of the year	1,811,537,356.69	1,973,789,791.39

Note: The retained earnings carried forward from other comprehensive income for the year represents the internal transfer of equity from the disposal of Chongqing Steel shares by CSI.

(45) Minority interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Huangpu Wenchong	45.46	3,135,771,906.78	3,107,979,533.54
Zhanjiang Nanhai	40.00	2,668,109.48	3,353,323.43
Wenchong Bingshen	40.00	2,086,083.37	1,782,375.52
Wah Shun	1.00	58,226.18	56,093.02
Wah Loong	1.00	486,261.86	490,998.50
Xingji	62.50	4,503,827.05	4,251,893.60
CSSC New Energy	38.04	497,262.41	550,533.73
Xinhang			585,939.70
Total		3,146,071,677.13	3,119,050,691.04

(46) Net current assets

Item	Ending balance	Beginning balance
Current assets	24,081,724,836.35	21,802,423,891.94
Less: Current liabilities	21,014,920,168.47	18,498,603,048.10
Net current assets	3,066,804,667.88	3,303,820,843.84

(47) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	44,265,408,872.54	38,937,517,272.52
Less: Current liabilities	21,014,920,168.47	18,498,603,048.10
Total assets less current liabilities	23,250,488,704.07	20,438,914,224.42

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(48) Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	1,914,936,125.56	2,049,871,666.70
Non-current liabilities due within one year	925,515,625.01	2,861,561,365.21
Long-term borrowings	3,189,417,299.77	2,117,721,642.34
Total	6,029,869,050.34	7,029,154,674.25

1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	3,633,182,967.22	5,136,397,483.31
– Bank borrowings repayable after 5 years	1,255,849,555.33	1,282,258,267.33
Other borrowings		
– Other borrowings repayable within 5 years	1,140,836,527.79	610,498,923.61
– Other borrowings repayable after 5 years		
Total	6,029,869,050.34	7,029,154,674.25

2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	2,840,451,750.57	4,911,433,031.91
1-2 years	932,709,133.33	835,463,375.01
2-5 years	1,000,858,611.11	
Over 5 years	1,255,849,555.33	1,282,258,267.33
Total	6,029,869,050.34	7,029,154,674.25

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(49) Operating income and Operating costs

1. Information on operating income and operating cost

Item	Amount for the year		Amount for last year	
	Income	Cost	Income	Cost
Principal business	11,453,902,217.84	10,366,642,431.75	11,397,374,517.03	10,757,470,798.26
Other businesses	217,691,305.63	110,529,086.57	211,086,209.67	97,315,141.00
Total	11,671,593,523.47	10,477,171,518.32	11,608,460,726.70	10,854,785,939.26

Gross profit from principal business

Item	Amount for the year	Amount for last year
Income from principal business	11,453,902,217.84	11,397,374,517.03
Costs of principal business	10,366,642,431.75	10,757,470,798.26
Gross profit	1,087,259,786.09	639,903,718.77

(1) Principal business – by product

Product name	Amount for the year	Amount for last year
Income from principal business		
Ship products	9,192,161,750.22	9,459,434,393.10
Including:		
Bulk carriers	182,491,521.30	982,516,718.48
Oil tankers		245,129,888.16
Containerships	2,053,096,594.81	2,463,087,874.05
Special ships and others	6,956,573,634.11	5,768,699,912.41
Offshore engineering products	355,974,410.42	-292,329,627.20
Steel structures	1,637,312,924.50	1,622,936,840.14
Ship maintenance and modification	123,761,391.82	449,244,650.68
Electromechanica products and others	144,691,740.88	158,088,260.31
Total	11,453,902,217.84	11,397,374,517.03
Costs of principal business		
Ship products	8,344,771,756.77	9,115,929,697.67
Including:		
Bulk carriers	130,309,356.51	899,514,547.14
Oil tankers		316,911,954.31
Containerships	1,863,323,558.88	2,685,144,064.27
Special ships and others	6,351,138,841.38	5,214,359,131.95
Offshore engineering products	353,515,715.23	-291,322,991.88
Steel structures	1,462,482,685.05	1,463,615,768.05
Ship maintenance and modification	114,017,465.52	366,308,458.22
Electromechanical products and others	91,854,809.18	102,939,866.20
Total	10,366,642,431.75	10,757,470,798.26

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) *Principal business – by region*

Region	Amount for the year	Amount for last year
Income from principal business		
China (including Hong Kong, Macau and Taiwan)	11,093,245,088.12	8,356,317,728.53
Other regions in Asia	52,384,684.37	1,478,914,239.25
Europe	28,339,649.43	645,318,980.90
Oceania		741,035,904.67
North America	272,839,049.12	-313,601,083.30
Africa	7,093,746.80	489,388,746.98
Total	11,453,902,217.84	11,397,374,517.03
Costs of principal business		
China (including Hong Kong, Macau and Taiwan)	10,053,212,631.75	7,344,963,352.73
Other regions in Asia	36,745,705.22	1,622,585,544.81
Europe	21,974,484.65	780,023,754.80
Oceania		758,852,834.21
North America	241,929,531.31	-319,474,835.95
Africa	12,780,078.82	570,520,147.66
Total	10,366,642,431.75	10,757,470,798.26

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

Business	Amount for the year	Amount for last year
Income from other business:		
Sale of materials	103,880,516.80	105,430,149.14
Provision of service		73,845.71
Leasing	80,130,495.08	90,439,327.54
Provision of energy	7,145,934.60	4,928,440.60
Others	26,534,359.15	10,214,446.68
Total	217,691,305.63	211,086,209.67
Costs of other business:		
Sale of materials	88,077,313.57	81,792,453.07
Provision of service		123,806.88
Leasing	9,381,405.23	7,171,984.71
Provision of energy	6,324,694.05	6,490,608.52
Others	6,745,673.72	1,736,287.82
Total	110,529,086.57	97,315,141.00

2. *Breakdown of operating income*

Item	Current year	Last year
Operating income	11,671,593,523.47	11,608,460,726.70
Less: Business income not related to the principal operations	217,691,305.63	211,086,209.67
Less: Commercially non-substantial income		
Operating income less business revenue not related to the principal operations and commercially non-substantial income	11,453,902,217.84	11,397,374,517.03

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Information on revenue from contracts

Breakdown of contracts	Shipbuilding and related business segment	Steel structure business segment	Ship maintenance and related business segment	Others segment	Total
Product type:					
Ship products	9,067,263,882.01			124,897,868.21	9,192,161,750.22
Offshore engineering products	355,974,410.42				355,974,410.42
Steel structures		1,637,312,924.50			1,637,312,924.50
Ship maintenance and modification			123,308,561.63	452,830.19	123,761,391.82
Electromechanical products and others		53,989,432.10	11,696,032.11	79,006,276.67	144,691,740.88
Other business		31,293,496.41		186,397,809.22	217,691,305.63
Total	9,423,238,292.43	1,722,595,853.01	135,004,593.74	390,754,784.29	11,671,593,523.47
By region of operation:					
Domestic	9,105,996,256.52	1,722,595,853.01	131,475,821.73	350,868,462.49	11,310,936,393.75
Overseas	317,242,035.91		3,528,772.01	39,886,321.80	360,657,129.72
Total	9,423,238,292.43	1,722,595,853.01	135,004,593.74	390,754,784.29	11,671,593,523.47
Type of market or customer:					
State-owned enterprises	7,033,780,642.51	1,687,885,179.74	115,911,892.10	172,524,887.45	9,010,102,601.80
Private enterprises	867,848,923.19	34,710,673.27	1,713,185.64	44,853,158.39	949,125,940.49
Foreign enterprises	1,521,608,726.73		17,379,516.00	173,376,738.45	1,712,364,981.18
Total	9,423,238,292.43	1,722,595,853.01	135,004,593.74	390,754,784.29	11,671,593,523.47
Type of contract:					
Fixed price	9,423,238,292.43	1,722,595,853.01	135,004,593.74	381,537,803.15	11,662,376,542.33
Cost plus				9,216,981.14	9,216,981.14
Total	9,423,238,292.43	1,722,595,853.01	135,004,593.74	390,754,784.29	11,671,593,523.47
By date of transfer of goods:					
Performed over time	9,126,380,731.40	1,649,342,523.12		9,216,981.14	10,784,940,235.66
Performed at a point in time	296,857,561.03	73,253,329.89	135,004,593.74	381,537,803.15	886,653,287.81
Total	9,423,238,292.43	1,722,595,853.01	135,004,593.74	390,754,784.29	11,671,593,523.47
By contract term:					
Short-term	296,857,561.30	1,106,125,411.31	135,004,593.74	379,616,835.89	1,917,604,402.24
Long-term	9,126,380,731.13	616,470,441.70		11,137,948.40	9,753,989,121.23
Total	9,423,238,292.43	1,722,595,853.01	135,004,593.74	390,754,784.29	11,671,593,523.47
By sales channel:					
Direct sales	9,423,238,292.43	1,722,595,853.01	135,004,593.74	390,754,784.29	11,671,593,523.47
Sale through distributors					
Total	9,423,238,292.43	1,722,595,853.01	135,004,593.74	390,754,784.29	11,671,593,523.47

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

4. 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.

5. Note on allocation to remaining contract performance obligations

The amount of revenue corresponding to the contract performance obligations for which contracts had been entered into and which had not been performed or fully performed as at the end of the year was RMB43,658,149,300, of which RMB9,599,451,400 is expected to be recognised as revenue in 2022.

6. Top five customers by operating income

Customers	Relationship with the Group	Amount for the year	Percentage of total income from principal business (%)
Customer 1	Unrelated party	4,941,773,262.65	43.14
Customer 2	Unrelated party	1,118,485,151.75	9.77
Customer 3	Unrelated party	688,495,575.22	6.01
Customer 4	Unrelated party	462,514,617.56	4.04
Customer 5	Unrelated party	344,996,876.76	3.01
Total		7,556,265,483.94	65.97

7. Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount for the year	Percentage of total costs of principal business (%)
Supplier 1	Under the control of China Shipbuilding Group	5,349,406,806.22	51.60
Supplier 2	Unrelated party	166,178,000.00	1.60
Supplier 3	Unrelated party	104,500,000.00	1.01
Supplier 4	Unrelated party	80,151,300.00	0.77
Supplier 5	Unrelated party	79,920,000.00	0.77
Total		5,780,156,106.22	55.75

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(50) Taxes and surcharges

Item	Amount for the year	Amount for last year
City maintenance and construction tax	1,044,799.90	1,819,204.62
Educational surcharge	745,710.44	1,314,725.00
Property tax	5,873,569.14	8,588,845.73
Land use tax	1,321,428.15	3,125,060.77
Stamp duty	9,041,190.23	10,264,852.32
Vehicle usage tax	51,988.00	96,466.26
Environmental protection tax	43,039.27	92,244.40
Total	18,121,725.13	25,301,399.10

(51) Selling expenses

Item	Amount for the year	Amount for last year
Product quality warranty	108,437,288.48	-11,531,288.73
Employee benefits	18,776,192.41	21,061,312.64
Travelling expense	1,063,229.66	1,409,659.16
Business expenditure	975,432.67	1,360,163.74
Advertising publicity fee	828,934.82	912,036.96
Other selling expenses	1,887,755.23	868,873.00
Total	131,968,833.27	14,080,756.77

(52) Administrative expenses

Item	Amount for the year	Amount for last year
Employee benefits	264,516,609.69	268,780,041.93
Repairing expenses	88,616,902.93	78,574,495.65
Amortisation of intangible assets	25,909,632.71	29,988,472.63
Lease expenses	13,539,989.20	9,916,885.08
Depreciation expenses	10,424,615.39	18,943,908.00
Board meeting fee	4,765,911.09	5,036,691.53
Litigation fees	2,784,210.51	1,927,417.08
Business entertainment expense	2,749,965.78	3,497,685.76
Travelling expense	2,617,179.65	2,800,714.04
Warehouse fee	2,307,423.48	717,546.71
Office expenses	1,712,870.03	1,956,687.88
Intermediary fee	1,577,164.89	2,516,892.17
Utilities expense	1,090,262.79	785,531.98
Insurance premium	655,852.53	12,333,558.66
Consulting fee	429,040.61	792,501.81
Logistics service fee	323,614.39	318,060.30
Information management fee	279,689.17	424,617.51
Security, firefighting and safety activity fee	277,379.37	2,810,058.91
Other administrative expenses	59,337,337.74	70,791,916.15
Total	483,915,651.95	512,913,683.78

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(53) Research and development expenses

Item	Amount for the year	Amount for last year
Material fee	334,795,979.03	303,843,595.06
Wages and labor costs	125,607,306.28	112,697,166.54
Outsourcing fee	46,949,882.04	68,318,601.13
Project management fee	35,238,559.36	8,270,556.40
Design fee	32,411,810.19	48,479,213.34
Fixed asset usage fee	17,108,282.59	14,728,484.99
Fuel power fee	4,149,252.22	15,368,660.24
Travelling expense	2,636,386.54	2,213,641.64
Test fee	1,261,585.96	1,005,180.66
Conference fee	654,628.87	442,454.55
Expert consultation fee	312,298.16	429,541.42
Other	16,344,198.39	14,567,335.01
Total	617,470,169.63	590,364,430.98

(54) Finance costs

1. Breakdown of finance costs

Item	Amount for the year	Amount for last year
Interest expenses	132,092,572.69	155,840,699.34
Including: Interest expenses for lease liabilities	5,091,501.84	3,618,063.58
Less: Interest income	254,500,693.52	253,973,437.90
Net exchange losses	59,351,737.94	101,230,442.82
Other expenses	22,320,220.05	20,725,319.12
Total	-40,736,162.84	23,823,023.38

2. Breakdown of interest expenses

Item	Amount for the year	Amount for last year
Interest on bank borrowings and overdraft	128,404,940.32	152,703,858.38
Interest on bank borrowings due within 5 years	116,469,072.32	152,703,858.38
Interest on bank borrowings due over 5 years	11,935,868.00	
Other borrowings	8,167,632.37	22,586,840.96
Interest on other borrowings due within 5 years		19,662,922.54
Other interest expenses	8,167,632.37	2,923,918.42
Sub-total	136,572,572.69	175,290,699.34
Less: Interest capitalised		
Less: Finance interest discount	4,480,000.00	19,450,000.00
Total	132,092,572.69	155,840,699.34

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Breakdown of interest income

Item	Amount for the year	Amount for last year
Interest income from bank deposits	172,019,742.08	137,774,078.05
Interest income from receivables	82,480,951.44	116,199,359.85
Total	254,500,693.52	253,973,437.90

(55) Other income

Item	Amount for the year	Amount for last year	Relating to assets/relating to revenue
Grant for first piece (set)	33,550,000.00	55,242,287.51	Relating to revenue
Construction of the experimental test environment for the industrial Internet platform in the shipbuilding industry cluster of Guangdong Province	12,180,000.00		Relating to revenue
Research of localized design and building Technologies	10,600,000.00	5,000,000.00	Relating to revenue
Construction of level two section of industrial internet identification of ship industry	7,145,000.00		Relating to revenue
High-end equipment industrial mechanism model library	6,160,000.00	2,000,000.00	Relating to revenue
Localization development and application verification of 1561 aluminium alloy (Russian series) and its supporting materials	5,580,000.00		Relating to revenue
Subsidies for training in lieu of work	4,579,000.00		Relating to revenue
2019 complete equipment project of total assembly and construction of ships	4,500,000.00		Relating to revenue
High-tech allowance	4,101,700.00	10,042,000.00	Relating to revenue
Employment subsidies	2,869,478.81	22,337,217.46	Relating to revenue
Business contribution award from Finance Bureau of Guangzhou Nansha District	2,844,700.00		Relating to revenue
Research of common key processes and technologies for smart manufacturing of ships	2,600,000.00	2,900,000.00	Relating to revenue
Development and application demonstration of floating offshore complete set of wind power equipment	2,500,000.00		Relating to revenue
Incentive Grant for high enterprise verification from Guangzhou Nansha District	1,000,000.00		Relating to revenue
Value added tax of self-produced software refund upon collection	226,106.20	660,173.31	Relating to revenue
Smart Ship 1.0 R&D Project		28,980,000.00	Relating to revenue
Development of engineering prototype of marine 400mm bore low-speed dual-fuel engine		17,660,000.00	Relating to revenue
R&D and industrialization of large-scale deepwater multifunctional wind power platform		7,000,000.00	Relating to revenue
Guangzhou technological innovation and benchmarking company fund		5,000,000.00	Relating to revenue
Research on the solutions and key common technologies of ship segmentation		4,786,792.46	Relating to revenue
intelligent manufacturing equipment		4,000,000.00	Relating to revenue
Post development subsidy funds		3,500,000.35	Relating to assets
Offshore expansion projects		1,500,000.00	Relating to assets
Offshore engineering phase I		22,021,886.86	
Others	9,072,823.12		
Total	109,508,808.13	192,630,357.95	

Note: Government grants from other income included in non-recurring gains and losses amounted to RMB75,732,701.93 for the year. Please refer to Note 16(1) for the reason why government grants were included in recurring gains and losses.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(56) Investment income

Item	Amount for the year	Amount for last year
Gain on long-term equity investments accounted for using equity method	11,966,548.56	103,150,875.19
Investment income from disposal of long-term equity investments	465,367.34	1,952,887,294.85
Investment income from disposal of financial assets held-for-trading	18,365,743.03	41,793,683.33
Dividend income received during the period of holding investments in other equity instruments	9,408,064.73	1,669,325.18
Gain on re-measurement of remaining equity interest upon loss of control at fair value		1,758,109,549.31
Total	40,205,723.66	3,857,610,727.86

Note: The investment income from listed and unlisted investments for the year amounted to RMB7,785,648.75 (last year: RMB172,069.38) and RMB32,420,074.91 (last year: RMB3,857,438,658.48), respectively.

(57) Gain on change in fair value

Sources of income from changes in fair value	Amount for the year	Amount for last year
Financial assets held-for-trading	101,349,211.43	239,667,073.30
Financial liabilities held-for-trading		-27,239,182.80
Total	101,349,211.43	212,427,890.50

(58) Credit impairment loss

Item	Amount for the year	Amount for last year
Loss on bad debts of accounts receivable	-33,180,171.95	-10,260,813.58
Bad debt provision for trade receivables financing	-11,271.72	
Loss on bad debts of other receivables	-702,326.63	4,213,697.15
Loss on bad debts of long-term receivables	-3,011,958.59	54,283,464.24
Total	-36,905,728.89	48,236,347.81

Note: Negative numbers of credit impairment losses indicate accrual during current year, and positive numbers indicate reversal during current year.

(59) Loss on impairment of assets

Item	Amount for the year	Amount for last year
Loss on impairment of inventories	-99,044,532.95	-277,298,592.16
Loss on impairment of assets in respect of contract performance cost		-41,478.78
Total	-99,044,532.95	-277,340,070.94

Note: Negative numbers of asset impairment losses indicate accrual during current year, and positive numbers indicate reversal during current year.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(60) Gain on disposal of assets

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Gain on disposal of non-current assets	5,363,414.13	-12,675,578.87	5,363,414.13
Including: Gain on disposal of non-current assets not classified as assets held for disposal	5,363,414.13	-12,675,578.87	5,363,414.13
Including: Gain on disposal of fixed assets	5,363,414.13	-12,675,578.87	5,363,414.13
Total	5,363,414.13	-12,675,578.87	5,363,414.13

(61) Non-operating income

1. Breakdown of non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Gain on retirement of damaged non-current assets	1,900,307.91	966,332.12	1,900,307.91
Including: Gain on retirement of damaged fixed assets	1,900,307.91	966,332.12	1,900,307.91
Government grants not relating to day-to-day activities	1,820,129.88	1,862,660.28	1,820,129.88
Penalty income	10,890,333.18	452,871.24	10,890,333.18
Transfer from claims under the balance of social security fund	3,709,190.91	8,531,512.80	3,709,190.91
Contract breach compensation		30,630,000.00	
Negative goodwill recognized for business combination not under common control		1,760,005.87	
Others	438,177.66	3,543,860.99	438,177.66
Total	18,758,139.54	47,747,243.30	18,758,139.54

The amount included in non-recurring gains and losses for the year was RMB18,758,139.54 (last year: RMB 47,747,243.30).

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

Item	Amount for the year	Amount for last year	Relating to assets/ Relating to revenue
Subsidy for separation and transfer of water, power and gas supply and property management business	1,820,129.88	1,820,129.88	Relating to revenue
Other projects		42,530.40	Relating to revenue
Total	1,820,129.88	1,862,660.28	

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(62) Non-operating expenses

Item	Current year	Last year	Amount included in non-recurring gains and losses for the current period
Loss on retirement of damaged non-current assets	2,595,825.43	1,963,472.58	2,595,825.43
Of which: Loss on damaged fixed assets	2,595,825.43	1,963,472.58	2,595,825.43
Penalty and late payment fee	665,588.10	90,839.78	665,588.10
Expense on external donation	7,000.00	182,000.00	7,000.00
Compensation for termination of agreement		1,837,144.95	
Others	4,499,529.73	57,292.26	4,499,529.73
Total	7,767,943.26	4,130,749.57	7,767,943.26

The amount included in non-recurring gains and losses for the year was RMB7,767,943.26 (last year: RMB4,130,749.57).

(63) Income tax expense

1. Breakdown of income tax expense

Item	Amount for the year	Amount for last year
Current income tax expenses	328,981.69	215,885.55
(1) Mainland China	328,981.69	215,885.55
(2) Hong Kong		
Deferred tax	10,641,113.85	24,677,656.39
Others	-10,507.40	-26,077.36
Total	10,959,588.14	24,867,464.58

2. Accounting profit and income tax expense adjustment process

Item	Amount for the year
Total consolidated profit	115,148,879.80
Income tax expenses calculated at statutory/applicable tax rate	28,787,219.95
Impact of different tax rates for subsidiaries	7,651,351.05
Impact of adjustment for income tax for previous period	-10,507.40
Impact of non-taxable income	-7,321,453.44
Impact of non-deductible costs, expenses and losses	675,915.29
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-11,411,691.73
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	24,167,157.13
R&D Expenses including the effect of deduction	-31,578,402.71
Income tax expense	10,959,588.14

(64) Audit fees and auditors

The audit fees charged for 2021 are RMB1.33 million (2020: RMB1.51 million). The auditors engaged by the Company are BDO China SHU LUN PAN Certified Public Accountants LLP, which has been newly hired since 2021.

(65) Depreciation and amortisation

Item	Current year	Last year
Depreciation of fixed assets	270,772,908.83	344,631,348.19
Amortisation of intangible assets	28,728,148.28	31,514,174.19
Depreciation of right-of-use assets	36,245,678.10	25,989,654.54
Amortisation of long-term prepaid expenses	5,011,874.02	3,308,632.44
Depreciation of investment properties	6,537,425.04	104,785.35
Total	347,296,034.27	405,548,594.71

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Gain on disposal of investment during the current year was RMB465,367.34 and gain on disposal of properties during the current year was RMB0. (gain on disposal of investment last year: RMB3,710,996,844.16, gain on disposal of properties last year: RMB0).

(67) Operating rental expense

Operating rental expense for the year is RMB78,764,173.58 (last year: RMB71,220,783.62, of which rental expense for machinery and equipment is RMB10,709,862.10 (last year: RMB46,541,845.73)).

(68) Rental income

Operating rental income for the year is RMB134,470,234.21 (last year: RMB99,783,293.78), including rental income from land and buildings of RMB80,045,486.42 (last year: RMB91,865,736.63).

(69) Supplementary information on income statement of expenses by nature

The operating costs, selling expenses, administrative expenses and research and development expenses in the income statement are classified by nature and are listed as follows:

Item	Amount for the year	Amount for last year
Raw materials consumed	7,620,655,969.81	7,566,976,492.22
Employee compensation expenses	2,039,463,834.84	2,508,896,028.77
Product fee	580,231,526.33	790,358,814.94
Depreciation expenses	317,601,774.84	370,725,788.08
Fuel power fee	121,695,956.35	164,383,503.22
Amortisation expenses	29,566,039.94	34,822,806.63
Balance of product payment	57,242,653.33	-23,105,683.38
Others	944,068,417.73	559,087,060.31
Total	11,710,526,173.17	11,972,144,810.79

(70) Cash flow statement

1. Other cash receipts relating to operating activities

Item	Amount for the year	Amount for last year
Income from other current accounts received	594,694,373.23	351,358,515.31
Government grants	118,567,490.37	157,380,974.24
Interest income	179,935,028.17	64,904,515.86
Receipt/recovery of deposit, security deposit	26,472,643.59	30,653,775.40
Other non-operating income	4,387,226.61	166,351.51
Total	924,056,761.97	604,464,132.32

2. Other cash payments relating to operating activities

Item	Amount for the year	Amount for last year
Payment of other current accounts	379,226,820.38	249,875,419.81
Security deposit	10,445,863.03	31,004,134.59
Administrative and R&D expense	131,958,203.94	113,066,948.12
Reserve funds	41,004,798.27	30,600,250.15
Non-operating expenses	665,560.58	1,971,818.51
Selling expenses	4,298,843.28	4,230,553.98
Bank charges	19,610,135.11	6,170,937.25
Warranty expenses	6,007,041.99	4,643,462.73
Total	593,217,266.58	441,563,525.14

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Other cash receipts relating to investing activities

Item	Amount for the year	Amount for last year
Refundable fixed deposits and restricted funds over three months	343,058,631.48	1,279,529,607.97
Refundable fixed deposits over three months and interest income on various security deposit	15,494,475.94	31,836,323.91
Receipt of principal on loans made and settled on a consolidated basis		400,000,000.00
Receipt of interest on loans made and settled on a consolidated basis		2,170,666.67
Income from compensation for land parcel storage and relocation		859,570,044.60
Total	358,553,107.42	2,573,106,643.15

4. Other cash payments relating to investing activities

Item	Amount for the year	Amount for last year
Refundable fixed deposits and restricted funds over three months	1,344,177,369.14	1,453,790,426.96
Reclassification of net cash received from disposal of subsidiaries	8,088,692.11	4,187,571,057.64
Relocation and other expenses		123,265,875.68
Total	1,352,266,061.25	5,764,627,360.28

5. Other cash receipts relating to financing activities

Item	Amount for the year	Amount for last year
State grant	83,200,000.00	60,000,000.00
Total	83,200,000.00	60,000,000.00

6. Other cash payments relating to financing activities

Item	Amount for the year	Amount for last year
Leased asset expense	3,249,100.65	5,954,257.75
Total	3,249,100.65	5,954,257.75

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(71) Supplementary information on cash flow statement

1. Supplementary information on cash flow statement

Supplementary information	Current year	Last year
1. Reconciliation of net profit and cash flows from operating activities:		
Net profit	104,189,291.66	3,626,830,196.89
Add: Credit impairment loss	36,905,728.89	-48,236,347.81
Provision for impairment of assets	99,044,532.95	277,340,070.94
Depreciation of fixed asset	294,770,064.83	344,736,133.53
Depreciation of right-of-use assets	36,245,678.10	25,989,654.54
Amortisation of intangible assets	28,728,148.28	31,514,174.19
Amortisation of long-term prepaid expenses	5,011,874.02	3,308,632.44
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")	-5,363,414.13	12,675,578.87
Loss on retirement of fixed assets (gain expressed with "-")	695,517.52	997,140.46
Loss on changes in fair value (gain expressed with "-")	-101,349,211.43	-212,427,890.50
Finance cost (gain expressed with "-")	116,132,563.49	116,001,468.97
Loss on investments (gain expressed with "-")	-40,205,723.66	-3,857,610,727.86
Decrease in deferred tax assets (increase expressed with "-")	13,983,838.80	-1,690,154.97
Increase in deferred tax liabilities (decrease expressed with "-")	-3,342,724.95	28,044,226.01
Decrease in inventories (increase expressed with "-")	874,566,439.47	119,989,568.64
Decrease in operating receivables (increase expressed with "-")	1,399,241,967.61	7,822,537,691.22
Increase in operating payables (decrease expressed with "-")	1,505,929,622.12	-9,314,406,836.53
Others		
Net cash flows from operating activities	4,365,184,193.57	-1,024,407,420.97
2. Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	5,417,061,556.97	5,719,367,108.31
Less: Beginning balance of cash	5,719,367,108.31	10,683,490,790.99
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-302,305,551.34	-4,964,123,682.68

2. Net cash paid during the period for acquiring subsidiaries

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Net cash received for the disposal of subsidiaries during the year

	Amount
Cash and cash equivalents received in relation to the disposal of subsidiaries during the year	1,882,272.73
Including: Guangzhou Xinhang Human Resources Service Co., Ltd.	1,882,272.73
Less: Cash and cash equivalents held by subsidiaries at the date of loss of control	9,970,964.84
Including: Guangzhou Xinhang Human Resources Service Co., Ltd.	9,970,964.84
Add: Cash or cash equivalents received in the current year from the disposal of subsidiaries in prior periods	
Net cash received from the disposal of subsidiaries	<u>-8,088,692.11</u>

4. Cash and cash equivalents

Item	Ending balance	Beginning balance
I. Cash	5,417,061,556.97	5,719,367,108.31
Including: Cash on hand	26,324.55	55,083.55
Bank deposits available for use on demand	5,417,035,232.42	5,719,312,024.76
Other cash at bank and on hand for use on demand		
II. Cash equivalents		
Including: Investments in bonds maturing within three months		
III. Cash and cash equivalents at the end of the year	5,417,061,556.97	5,719,367,108.31
Including: Restricted cash and cash equivalents used by the parent company or intra-group subsidiaries		

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

Item	Carrying value as at the end of the year	Reasons for restrictions
Cash at bank and on hand	4,143,341,806.60	Fixed deposits with maturity of over 3 months, security deposit, etc.
Total	<u>4,143,341,806.60</u>	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(73) 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			1,343,481,832.20
Including: USD	210,615,751.96	6.3757	1,342,822,849.77
EUR	26,506.85	7.2197	191,371.50
HKD	571,931.18	0.8176	467,610.93
Accounts receivable			12,440,073.96
Including: USD	1,766,992.00	6.3757	11,265,810.89
HKD	1,436,231.73	0.8176	1,174,263.07
Long-term receivables			1,672,410,321.46
Including: USD	262,310,071.28	6.3757	1,672,410,321.46
Accounts payable			5,622,798.82
Including: USD	881,910.82	6.3757	5,622,798.82
Other payables			43,599,244.88
Including: USD	6,838,346.36	6.3757	43,599,244.88

2. Reporting currency of significant foreign operating entities

Significant foreign operating entities	Principal place of business overseas	Reporting currency	Basis of selection
Wah Shun International Marine Limited	Hong Kong, China	Hong Kong Dollars	Principal business operations are denominated in Hong Kong dollars
Wah Loong International Marine Limited	Hong Kong, China	Hong Kong Dollars	Principal business operations are denominated in Hong Kong dollars

(74) Hedging

Qualitative and quantitative information about the hedged items, the related hedging instruments and the hedged risk is disclosed by hedge category as follows:

Fair value hedges

	Carrying value of hedged items		Cumulative amount of fair value hedge adjustments on hedged items (included in the carrying amount of the hedged item)		Balance sheet presentation items containing hedged items	Change in fair value of hedged item used as basis for recognition of hedge ineffectiveness component during the period	Notional amount of the hedging instruments	Carrying value of hedging instruments		Balance sheet presentation items containing hedging instruments	Change in fair value of hedging instruments used as basis for recognition of hedge ineffectiveness component during the period	Ineffective hedge portion included in current comprehensive income	Income statement presentation items included in current profit or loss (including ineffective hedge portion)
	Assets	Liabilities	Assets	Liabilities				Assets	Liabilities				
Exchange rate risk	196,955,482.65		196,955,482.65		Other non-current liabilities		196,955,482.65		Other non-current assets				
- identified commitment	196,955,482.65		196,955,482.65		Other non-current liabilities		196,955,482.65		Other non-current assets				

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(75) Government grants

1. Basic information on government grants

Item	Amount	Item presented	Amount included in profit or loss
Grant for insurance maintained for first piece (set)	33,550,000.00	Other income	33,550,000.00
Construction of inspection and testing environment for Guangdong Province ship industry cluster internet platform	12,180,000.00	Other income	12,180,000.00
Research on localized construction process	10,600,000.00	Other income	10,600,000.00
Construction of level two section of industrial internet identification of ship industry	7,145,000.00	Other income	7,145,000.00
High-end equipment industrial mechanism model library	6,160,000.00	Other income	6,160,000.00
1561 aluminum alloy (Russian series) and its supporting materials that are researched and developed for national production and application verification	5,580,000.00	Other income	5,580,000.00
Substitute training subsidies	4,579,000.00	Other income	4,579,000.00
2019 complete equipment project of total assembly and construction of ships	4,500,000.00	Other income	4,500,000.00
High-tech enterprise subsidies	4,101,700.00	Other income	4,101,700.00
Employment subsidies	2,869,478.81	Other income	2,869,478.81
Business Contribution Award from Finance Bureau of Nansha District	2,844,700.00	Other income	2,844,700.00
Research of common key processes and technologies for smart manufacturing of ship	2,600,000.00	Other income	2,600,000.00
Floating offshore wind power equipment development and application demonstration (special project fund)	2,500,000.00	Other income	2,500,000.00
Guangzhou Nansha District High and New Technology Enterprise Recognition Award	1,000,000.00	Other income	1,000,000.00
Other revenue items under RMB1 million	8,753,759.39	Other income	8,753,759.39
Separation and transfer of water, power and gas supply and property management business	1,820,129.88	Non-operating income	1,820,129.88
Interest subsidy for transformation into civil development	4,480,000.00	Finance costs	4,480,000.00
Research on localized construction process	29,790,000.00	Deferred income	
Research on the key technologies of design and construction of deep water drilling Vessels	17,950,000.00	Deferred income	
Key technology research on the final assembly and construction of natural gas hydrate drilling vessel (ocean drilling vessel)	17,820,000.00	Deferred income	
Separation and transfer of water, power and gas supply and property management business	5,378,669.94	Deferred income	
1561 aluminum alloy (Russian series) and its supporting materials that are researched and developed for national production and application verification	3,000,000.00	Deferred income	
Manufacture of prediction and precise servicing technology and system driven by big data	2,680,000.00	Deferred income	
Scientific research grant from Finance Bureau of Guangzhou Nansha District	2,500,000.00	Deferred income	
Research on integrated application technology of intelligent logistics and fine processing delivery unit in shipbuilding process	1,500,000.00	Deferred income	
Large-scale JYJC research and production critical information infrastructure security controllable application demonstration project	1,340,000.00	Deferred income	
Key technology development and application of high-end underwater welding power source	1,250,000.00	Deferred income	
Study on smart manufacturing standards for ship assembly	1,220,000.00	Deferred income	
Deferred revenue items under RMB1 million	5,178,938.23	Deferred income	
Total	204,871,376.25		115,263,768.08

2. Information on return of government grants

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(76) Leases

1. As lessor

Operating leases

Item	Amount
1. Information on revenue	134,470,234.21
Income from operating leases	134,470,234.21
Including: Income related to variable lease payments not included in lease receipts	
2. Undiscounted leasing receivable in the balance sheet for the next five consecutive accounting years	127,464,976.45
The first year	62,866,966.29
The second year	39,198,010.16
The third year	21,800,000.00
The fourth year	1,800,000.00
The fifth year	1,800,000.00
3. The total amount of undiscounted leasing receivable in remaining years	127,464,976.45
Within one year	62,866,966.29
Above one year within two years	39,198,010.16
Above two years within three years	21,800,000.00
Above three years	3,600,000.00

2. As lessee

Item	Amount
Interest expense of lease liabilities	5,093,831.39
Expense of short-term leases included in the current profit and loss	78,692,981.02
Related assets or simplified lease expenses of low value assets (excluding short-term lease expenses of low value assets) included in the current profit and loss	71,192.56
Total cash outflow related to leases	70,966,251.93

(77) 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Item	No.	Current year	Last year
Net profit attributable to shareholders of the Company	1	79,387,401.00	3,662,334,382.03
Non-recurring gains and losses attributable to the Company	2	130,826,541.34	3,945,440,941.73
Net profit attributable to shareholders of the Company, net of nonrecurring gains and losses	3=1-2	-51,439,140.34	-283,106,559.70
Total number of shares at the beginning of the year	4	1,413,506,378.00	1,413,506,378.00
Number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)	5		
Number of shares increased due to issuance of new shares or debt for equity swap (II)	6		
Number of months from the month following the month in which the number of shares is increased to the end of the period (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the month following the month in which the number of shares is decreased to the end of the year	9		
Number of shares decreased due to capital reduction	10		
Number of months in the Reporting Period	11	12.00	12.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,413,506,378.00
Weighted average number of ordinary shares outstanding following adjustments in relation to business combination under common control for the purposes of earnings per share after deduction of non-recurring gains and losses	13	1,413,506,378.00	1,413,506,378.00
Basic earnings per share (I)	14=1÷12	0.0562	2.5910
Basic earnings per share (II)	15=3÷13	-0.0364	-0.2003
Potential diluted interests of ordinary shares recognised as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted earnings per share (I)	20=[1+(16-18)×(1-17)]÷(12+19)	0.0562	2.5910
Diluted earnings per share (II)	21=[3+(16-18)×(1-17)]÷(13+19)	-0.0364	-0.2003

(78) Dividends

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

1. Year ended 31 December 2020

Pursuant to a resolution of the annual general meeting of 2019 of the Company held on 12 June 2020, the Company will not distribute dividend or increase its share capital by way of capitalisation of capital reserve for 2019.

2. Year ended 31 December 2021

Pursuant to a resolution of the annual general meeting of 2020 of the Company held on 27 May 2021, the Company will distribute dividend of RMB234,642,058.75 but will not increase its share capital by way of capitalisation of capital reserve for 2020.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

VI. CHANGES IN SCOPE OF CONSOLIDATION

(1) Disposal of subsidiaries

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 the original subsidiary
Guangzhou Xinhang Human Resources Service Co., Ltd.	1,882,272.73	41.00	Assignment by agreement	31 December 2021	Substantive approval process completed for share transfer	659,003.73	34.00%	1,014,418.19	836,400.00	-178,018.19	See other explanations	

Other explanations:

- (1) On 31 May 2021, Huangpu Wenchong held its 11th General Manager's Meeting in 2021, considered and approved the resolution in relation to the transfer of 41% equity interest in Guangzhou Xinhang Human Resources Service Co., Ltd. by Huangpu Wenchong. On 31 December 2021, as a result of the disposal of part of the equity, the Company's shareholding in Xinhang Human Resources changed from 75% to 34%, resulting in the loss of control over Xinhang Human Resources and it was no longer included in the scope of consolidation. However, the Company was able to exercise significant influence over Xinhang Human Resources 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 31 December 2021, and 31 December 2021 was taken as the time for loss of control.

- (2) Shanghai Orient Appraisal Co., Ltd carried out an appraisal of the value of the entire shareholders' equity of Xinhang Human Resources and the appraised value was RMB2,460,000. This was mainly 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.

(2) Change in scope of consolidation for other reasons

- (1) In March 2021, Huangpu Wenchong invested in the establishment of Huacheng Company and Huaxin Company in accordance with the Group's "Equity Investment Filing Opinion Form" (Chuan Hai Gu Quan Tou Zi Bei Zi [2021] No. 2) with registered capital of RMB50,000. The scope of business mainly includes transport equipment rental services, machinery and equipment rental services, vessel sales, import and export of goods and import and export agency. As of 31 December 2021, the actual amount of capital contributed by Huangpu Wenchong to both Huacheng Company and Huaxin Company was RMB50,000, and Huangpu Wenchong held 100% shareholding in both subsidiaries.
- (2) As at 15 January 2021, the Group had invested in five wholly-owned subsidiaries, namely Wah Sheung, Wah Cheung, Wah Hing, Wah Shui, Wah Yu, and as of 31 December 2021, the Group had not yet made actual capital contributions and the above five subsidiaries had not yet commenced their operating activities.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

VII. 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	Type of legal person
				Direct	Indirect		
Subsidiary indirectly held through two level structures: Huangpu Wenchong	Guangzhou	Shipbuilding	361,918.32	54.5371		Business combination under common control	Other company with limited liability
Subsidiaries indirectly held through three level structures: Wenchong Shipyard	Guangzhou	Ship building	142,017.85		100.00	Business combination under common control	Company with limited liability(Wholly-owned by legal person)
Huangchuan Ocean Engineering	Guangzhou	Ship building	6,800.00		100.00	Business combination under common control	Company with limited liability(Wholly-owned by legal person)
Wenchuan Heavy Industrial	Guangzhou	Equipment manufacturing	21,000.00		100.00	Business combination under common control	Company with limited liability(Wholly-owned by legal person)
CSSC Internet	Guangzhou	Information electronic technology services	5,000.00		100.00	Establishment through investment	Company with limited liability(Wholly-owned by legal person)
Zhanjiang Nanhai	Zhanjiang	Provision of labour services	200.00		60.00	Business combination under common control	Company with limited liability(State controlled)
Wenchong Bingshen	Guangzhou	Equipment manufacturing	560.00		60.00	Business combination under common control	Company with limited liability (Sino-foreign joint venture)
Wah Shun	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment	Other company with limited liability(State controlled)
Wah Loong	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment	Other company with limited liability(State controlled)
Xingji	Guangzhou	Professional technical services	500.00		37.50	Establishment through investment	Company with limited liability (Taiwan, Hong Kong, Macao and domestic joint venture)
HuaCheng	Tianjin	Other operating leases relating to machinery and equipment	5.00		100.00	Establishment through investment	Company with limited liability(Wholly-owned by legal person)
HuaXin	Tianjin	Other operating leases relating to machinery and equipment	5.00		100.00	Establishment through investment	Company with limited liability(Wholly-owned by legal person)
Wah Sheung	Hong Kong	Other operating leases relating to machinery and equipment	HK\$ 10,000		100.00	Establishment through investment	Other company with limited liability(State controlled)
Wah Cheung	Hong Kong	Other operating leases relating to machinery and equipment	HK\$ 10,000		100.00	Establishment through investment	Other company with limited liability(State controlled)
Wah Hing	Hong Kong	Other operating leases relating to machinery and equipment	HK\$ 10,000		100.00	Establishment through investment	Other company with limited liability(State controlled)
Wah Shui	Hong Kong	Other operating leases relating to machinery and equipment	HK\$ 10,000		100.00	Establishment through investment	Other company with limited liability(State controlled)
Wah Yu	Hong Kong	Other operating leases relating to machinery and equipment	HK\$ 10,000		100.00	Establishment through investment	Other company with limited liability(State controlled)
Subsidiaries indirectly held through four level structures: CSSC New Energy	Guangzhou	Liquefied petroleum production and supply	1,800.00		61.88	Establishment through investment	Other company with limited liability

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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) Xingji and Wenchong Bingshen are both sino-foreign joint ventures.

2. Significant non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interests	Gain or loss attributable to minority interests for the year	Dividends declared to minority interests for the year	Ending balance of minority interests
Huangpu Wenchong	45.4629%	23,677,588.02		3,135,771,906.78

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	2,244,905.61	979,900.67	3,224,806.28	2,097,261.90	394,611.35	2,491,873.25	2,046,503.82	806,113.91	2,852,623.73	1,870,071.39	263,975.39	2,134,046.78

Name of subsidiary	Amount for the year				Amount for last year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Huangpu Wenchong	1,166,122.24	5,320.54	6,212.41	437,028.52	1,086,953.45	2,742.34	2,277.47	-87,263.60

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

None.

(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	
GSI	Guangzhou	Guangzhou	Metal shipbuilding	46.3018		Equity method

2. Key financial information of significant joint ventures

Item	GSI	
	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Current assets:	18,649,985,842.14	14,764,793,154.85
Including: Cash and cash equivalents	4,396,166,567.65	3,273,268,761.36
Non-current assets	10,323,462,729.65	9,939,644,076.79
Total assets	28,973,448,571.79	24,704,437,231.64
Current liabilities:	18,343,726,157.38	16,721,671,250.15
Non-current liabilities	3,472,680,188.17	880,602,781.58
Total liabilities	21,816,406,345.55	17,602,274,031.73
Minority interests	83,195,797.82	87,155,848.87
Equity attributable to shareholders of the Company	7,073,846,428.42	7,015,007,351.04
Share of net assets based on shareholding percentage	3,180,510,659.91	3,167,509,541.67
Adjustments	1,758,109,549.31	1,758,109,549.31
Carrying amount of equity investments in associates	4,938,620,209.22	4,925,619,090.98
Operating income	11,455,031,301.03	10,464,369,486.55
Finance costs	184,946,054.87	147,648,945.99
Income tax expense	715,956.14	1,242,400.02
Net profit	25,534,483.99	85,361,954.98
Other comprehensive income	2,476,276.36	-4,741,755.59
Total comprehensive income	28,010,760.35	80,620,199.39

3. Aggregated financial information of insignificant joint ventures and associates

Item	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Joint ventures:		
Total carrying amount of investments		
Amounts in aggregate in proportion to the shareholdings		
– Net profit		
– Other comprehensive income		
– Total comprehensive income		
Associates:		
Total carrying amount of investments	14,058,699.96	12,658,556.12
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-130,393.51	3,474,284.90
– Other comprehensive income		
– Total comprehensive income	-130,393.51	3,474,284.90

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

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

VIII. 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 V. The risks related to these financial instruments, and the Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure by the management of the Group is to ensure that these risks mentioned above are controlled within a reasonable range.

(1) Various risk management objectives and policies

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

1. Market risk

(1) Foreign currency risk

The Group's foreign exchange exposure is mainly related to USD, HKD and EUR. Except that the Group is using foreign currencies including USD, HKD and EUR for sales and purchase transactions in respect of shipbuilding business, other main business operations of the Company are denominated and settled in RMB. As at the end of the year, except for assets and liabilities with balances in USD, HKD, MOP, EUR, GBP, JPY and Norwegian Krone 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	210,615,751.96	116,885,227.02
Cash and cash equivalents-HKD	571,931.18	3,276,975.50
Cash and cash equivalents-EUR	26,506.85	570,220.71
Accounts receivable-USD	1,766,992.00	87,851,470.20
Accounts receivable-HKD	1,436,231.73	9,703,499.95
Long-term receivables-USD	262,310,071.28	205,342,997.34
Accounts payable-USD	881,910.82	81,138,152.36
Other payables-USD	6,838,346.36	
Other payables-HKD		41,174.00

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) Interest rate risk

The interest rate risk of the Group is generated from bank borrowings with interest rate. Floating-rate financial liabilities expose the Group to cash flow interest rate risk, and fixed-rate financial liabilities expose the Group to fair value interest rate risk. The Group adjusts the relative percentage of contracts with floating rates and fixed rates in view of the then market environment. As at the end of the year, the Group's bank borrowings mainly included fixed interest rate contracts denominated in RMB and USD with total amount of RMB5,670,282,445.30 (at the beginning of the year: RMB3,916,800,000.00) and floating interest rate contracts denominated in RMB and USD with total amount of RMB350,000,000.00 (at the beginning of the year: RMB3,105,000,000.00).

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

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

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

Apart from the deposits placed with CSSC Finance Company Limited, the Group places bank deposits and other monetary funds with financial institutions with high credit ratings, and therefore their credit risk is relatively low. Deposits placed with finance companies are reconciled with the Group on a regular basis to ensure that the funds on deposit are in proper condition.

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 RMB685,989,205.92 (at the beginning of the year: RMB617,798,548.27) in total; long-term receivables amounted to RMB2,438,660,399.78 (at the beginning of the year: RMB2,061,116,322.61) in total.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Liquidity risk

Liquidity risk refers to the risk that the Group could not meet its financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of reputation of the Group. The analysis of liabilities structure and durations is made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutions to maintain the credit lines and reduce liquidity risks.

The sources of funding of the Group are mainly from bank borrowings. As at the end of the year, the unutilised bank facilities of the Group were RMB21,013 million (at the beginning of the year: RMB16,848 million).

At the end of the year, the analysis of financial assets and financial liabilities held by the Group by maturity of undiscounted remaining contractual obligations is as follows:

Item	Ending balance					Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Total financial assets	15,472,253,141.60	460,769,263.81	639,004,847.24	5,824,067,084.07		22,396,094,336.72
Cash at bank and on hand	9,560,403,363.57					9,560,403,363.57
Financial assets						
held-for-trading	3,281,028,607.57					3,281,028,607.57
Notes receivable	82,331,260.05					82,331,260.05
Accounts receivable	1,130,852,704.06					1,130,852,704.06
Receivables financing	192,867,112.06					192,867,112.06
Other receivables	95,571,915.95					95,571,915.95
Long-term receivables	1,129,198,178.34	460,769,263.81	639,004,847.24	344,065,554.28		2,573,037,843.67
Investments in other equity instruments				5,480,001,529.79		5,480,001,529.79
Total financial liabilities	11,549,975,551.36	1,030,712,285.86	1,116,644,389.18	1,439,918,700.04		15,137,250,926.44
Short-term borrowings	1,939,289,538.88					1,939,289,538.88
Notes payable	2,524,645,592.26					2,524,645,592.26
Accounts payable	5,851,878,752.31					5,851,878,752.31
Other payables	184,932,612.65					184,932,612.65
Long-term borrowings	998,093,545.01	982,678,560.18	1,033,847,879.06	1,407,247,630.29		4,421,867,614.54
Lease liabilities	51,135,510.25	48,033,725.68	82,796,510.12	32,671,069.75		214,636,815.80

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) Sensitivity analysis

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

1. Exchange rate risk sensitivity analysis

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

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

Item	Change in exchange rate	Current year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Strengthen by 5% against RMB	111,716,628.55	111,716,628.55	81,066,615.23	81,066,615.23
USD	Weaken by 5% against RMB	-111,716,628.55	-111,716,628.55	-81,066,615.23	-81,066,615.23

2. Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis is based on the following assumptions: Changes in market interest rate affect the interest income or expenses of floating-rate financial instruments; For fixed-rate financial instruments measured at fair value, the changes in market value affect their interest income or expenses only; Changes in fair value of derivative financial instruments and other financial assets and liabilities are calculated using cash flow discount method and the market interest rate at the balance sheet date.

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

Item	Change in interest rate	Current year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-2,625,000.00	-2,625,000.00	-23,287,500.00	-23,287,500.00
Floating-rate borrowings	Decrease by 1%	2,625,000.00	2,625,000.00	23,287,500.00	23,287,500.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

IX. DISCLOSURE OF FAIR VALUE

The inputs used for fair value measurement are divided into three levels:

Level 1 input is the unadjusted quotation of the same asset or liability that is available on the measurement day in the active market.

Level 2 input is the input 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 level of the fair value measurement is determined by the lowest level of the input which is of great significance to the whole of the fair value measurement.

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

Item	Fair value at the end of the year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Fair value measurement on a recurring basis				
◆ Financial assets held-for-trading	1,863,392.16	178,504,215.41	3,100,661,000.00	3,281,028,607.57
1. Classified as financial assets at fair value through profit or loss	1,863,392.16		3,100,661,000.00	3,102,524,392.16
(1) Investments in equity instruments	1,863,392.16			1,863,392.16
(2) Entrusted wealth management			3,100,661,000.00	3,100,661,000.00
2. Financial assets at fair value through profit or loss		178,504,215.41		178,504,215.41
◆ Receivable financing			192,855,840.34	192,855,840.34
◆ Investments in other equity instruments	5,451,251,263.77		28,750,266.02	5,480,001,529.79
◆ Other non-current financial assets - hedging instruments		196,955,482.65		196,955,482.65
Total assets measured at fair value on a recurring basis	5,453,114,655.93	375,459,698.06	3,322,267,106.36	9,150,841,460.35
◆ Other non-current financial liabilities - hedged items		196,955,482.65		196,955,482.65
Total liabilities measured at fair value on a recurring basis		196,955,482.65		196,955,482.65

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

Of the investments in equity instruments held and not held for trading measured at fair value, the fair value of the shares of listed companies held by the Group was determined based on the closing price at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

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

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

For entrusted wealth management products measured at fair value, the Group determines their fair value in accordance with the net value at the end of the year (31 December 2021), which were \$1.0001 per share and \$1.0014 per share based on the valuation documents provided by the financial institution (CSSC Finance Company Limited) (if the Company recovers such entrusted wealth management products at the date of the financial statements, the recovery value is determined based on the value in the valuation documents provided by the financial institution mentioned above).

For the equity investment held by the Group in unlisted companies out of investment in equity instruments not held for trading measured at fair value, the Group determines their fair value using valuation techniques. After analysis, the fair value of the net assets of the investee approximates the net book value of the investee and therefore the fair value is determined by multiplying the net book value of the investee by the percentage of shareholding.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Controlling shareholder and ultimate controller

(1) Controlling shareholder and ultimate controller

Name of controlling shareholder	Place of incorporation	Business nature	Registered capital	Shareholding percentage in the Company (%)	Percentage of voting rights in the Company (%)
CSSC	Shanghai	Shipbuilding	RMB32 billion	34.05	58.52

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

(2) Controlling shareholder's registered capital and its changes

Controlling shareholder	Beginning balance	Increase for the year	Decrease for the year	Ending balance
CSSC	RMB32 billion			RMB32 billion

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Controlling shareholder	Shareholding amount		Percentage of shareholding (%)		Remarks
	Ending balance	Beginning balance	Percentage at the end of the year	Percentage at the beginning of the year	
CSSC	481,337,700.00	485,687,700.00	34.05	34.36	Parties acting in concert
CSSC International	345,940,890.00	345,940,890.00	24.47	24.47	
Total	827,278,590.00	831,628,590.00	58.52	58.83	

2. Subsidiaries

Please refer to Note "VII. Interest in Other Entities" for details of the subsidiaries of the Company.

3. Joint ventures and associates

For details of significant joint ventures or associates, please refer to Note "VII. Interest in Other Entities" under this section.

Other joint ventures and associates that have related party transactions with the Company during the year or have balance of related party transactions with the Company for the previous period are as follows

Category of relationship	Name of related party	Principal content of the transactions	Unified social credit identifier	Category of company
Associate	Guangzhou Shipyard International Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	914401017889253316	Company with limited liability(Foreign-invested enterprises and domestic joint ventures)
Associate	CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	Purchase of goods and receipt of services	91350128MA2Y9Q5W5W	Other company with limited liability
Associate	Guangzhou Xinhang Human Resources Service Co., Ltd.	Purchase of goods and receipt of services	91440112799414238G	Other company with limited liability

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

4. Other related parties

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common controlling shareholder	Anqing Marine Electric Co., Ltd.	Purchase of goods	913408007711027188	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)
Common controlling shareholder	Anqing CSSC Diesel Engine Co., Ltd.	Product and equipment	91340800151306277Q	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Beijing Ship Industry Management College	Purchase of goods and receipt of services	12110108668420072M	Public institution
Common controlling shareholder	Beijing Leiyin Electronic Technology Development Co., Ltd.	Purchase of goods and receipt of services	91110106633641027L	Other company with limited liability
Common controlling shareholder	China Shipbuilding IT Co., Ltd.	Sale of goods and provision of services	911101088020423339	Other company with limited liability
Common controlling shareholder	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Sales of metallic materials and sales of waste materials	912102831188303922	Collective ownership
Common controlling shareholder	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	Receipt of services	912102837169690872	Collective branch (unincorporated)
Common controlling shareholder	Marinequip China Company Limited	Marine accessories	Overseas company	Other company with limited liability (Wholly state-owned)
Common controlling shareholder	Guangzhou Shipyard International Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	914401017889253316	Company with limited liability (Foreign-invested enterprises and domestic joint ventures)
Common controlling shareholder	Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Purchase of goods and receipt of services	91440000231128917P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Purchase of goods and receipt of services	914500000811760314	Other company with limited liability
Common controlling shareholder	Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Labour services	914401010765477665	Company with limited liability (wholly owned-owned by legal person)
Common controlling shareholder	Guangzhou Ship Industrial Co., Ltd.	Purchase of goods and receipt of services	91440101190506722Q	Company with limited liability (wholly owned-owned by legal person)
Common controlling shareholder	Ships and Ocean Engineering Design and Research Institute of Guangzhou	Sales of goods and provision of services	914401011904583375	Ownership by the whole people
Common controlling shareholder	Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	Purchase of goods and receipt of services	9144010168132734X6	Company with limited liability (Wholly owned by legal person of foreign-invested enterprise)
Common controlling shareholder	Guangzhou Shipyard HR Service Co., Ltd.	Labour and technical services	91440103664021381U	Company with limited liability (wholly owned-owned by legal person)
Common controlling shareholder	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and receipt of services	91440104231250517O	Other company with limited liability
Common controlling shareholder	Guangzhou Hongfan Technology Co., Ltd.	Purchase of goods and receipt of services	91440101708257645P	Other company with limited liability
Common controlling shareholder	Technician Training School of Guangzhou Huangpu Shipyard	Labour and technical services and Supply of utilities	12440000738592911K	Public institution
Common controlling shareholder	Kindergarten of Guangzhou Huangpu Shipyard	Provision of services	12440000738577981F	Public institution
Common controlling shareholder	Guangzhou Longxue Pipe Co., Ltd.	Purchase of goods and receipt of services	91440101696938450J	Other company with limited liability
Common controlling shareholder	Guangzhou Hongfan Hotel Co., Ltd.	Purchase of goods and receipt of services	91440101633203529L	Company with limited liability (Wholly owned by legal person of foreign-invested enterprise)
Common controlling shareholder	Guangzhou Wencheng Shipbuilding Co., Ltd.	Sales of goods and provision of services	91440101MA5CY9PU1E	Company with limited liability (wholly owned-owned by legal person)
Common controlling shareholder	Guangzhou Shipyard Co., Ltd	Purchase of goods, marine accessories and labour and technical services	91440101190440532F	Company with limited liability (wholly owned-owned by legal person)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common controlling shareholder	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and receipt of services	91110106082890640P	Company with limited liability (wholly-owned-owned by legal person)
Common controlling shareholder	Haiying Enterprises Group Co., Ltd.	Purchase of goods and receipt of services	913202141347573676	Company with limited liability
Common controlling shareholder	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	9131000070326335X7	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories, product and equipment	91310115669401543C	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Wah-Chang International Marine Industry Company Limited	Sales of goods and provision of services	Overseas company	Other company with limited liability (Wholly state-owned)
Common controlling shareholder	China United Shipbuilding Company Limited	Purchase of goods and receipt of services	Overseas company	Other company with limited liability (Wholly state-owned)
Common controlling shareholder	Jiangxi Chaoyang Machinery Co., Ltd.	Purchase of goods	913604001582614892	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Purchase of goods and receipt of services	91360429598860469Y	Other company with limited liability
Common controlling shareholder	Jiangxi CSSC Navigation Instrument Co., Ltd.	Purchase of goods and receipt of services	913604021595005410	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	913604007697567041	Company with limited liability (Wholly state-owned)
Common controlling shareholder	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and receipt of services	91360400705640569G	Ownership by the whole people
Common controlling shareholder	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	913604007697501774	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Purchase of goods and receipt of services	91320114742362916X	Company with limited liability
Common controlling shareholder	CSSC Nanjing Luzhou Machine Co., Ltd.	Product and equipment	913201151349053822	Company with limited liability
Common controlling shareholder	Shanghai Merchant Vessel Design and Research Institute	Marine accessories and labour and technical services		Public institution
Common controlling shareholder	Shanghai Dongxin Software Engineering Co., Ltd.	Purchase of goods and receipt of services	9131000073745754XT	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)
Common controlling shareholder	Shanghai Haixun Electrical Engineering Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91310118751896055E	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of goods	91310230631147500M	Other company with limited liability
Common controlling shareholder	Shanghai Jiangnan Career Skills Training Center	Purchase of goods and receipt of services	52310101425204260L	Private non-enterprise units
Common controlling shareholder	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of goods and receipt of services	913101071329233921	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91310000631140202F	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Waigaoqiao Shipbuilding & Marine Engineering Design Co. Ltd.	Purchase of goods and receipt of services	91310115742687243M	Other company with limited liability
Common controlling shareholder	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Sale of goods and provision of services	913101156314236324	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common controlling shareholder	Shanghai Zhenhua Engineering Consulting Co., Ltd.	Purchase of goods and receipt of services	91310107631898873Q	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Purchase of goods and receipt of services	91310101766907124E	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai CSSC Lingang ship Equipment Co., Ltd.	Purchase of goods and receipt of services	913101156746470974	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91310000765585565P	Company with limited liability(Sino-foreign joint venture)
Common controlling shareholder	Suzhou Jianghai Communication Co., Ltd.	Purchase of goods and receipt of services	913205061377183984	Company with limited liability(invested or controlled by natural person)
Common controlling shareholder	Zhendui Industrial Intelligent Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91440300MA5FTQL29D	Company with limited liability
Common controlling shareholder	Zhejiang Modern Power Generation Equipment Co., Ltd.	Purchase of goods and receipt of services	913211917820673134	Company with limited liability(Taiwan, Hong Kong, Macau and domestic joint venture)
Common controlling shareholder	CSSC Finance Company Limited	Receipt of financial services	91310115100027155G	Other company with limited liability
Common controlling shareholder	China Shipbuilding NDRI Engineering Co., Ltd.	Labour and technical services	91310107425014619A	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Electronic Technology Co., Ltd.	Purchase of goods and receipt of services	9111011510201629XL	Company with limited liability(State-controlled)
Common controlling shareholder	CSSC Marine Power Institute Co., Ltd.	Purchase of goods and receipt of services	91310115566594282C	Company with limited liability(State-controlled)
Common controlling shareholder	CSSC Marine Power (Zhejiang) Co. Ltd.	Purchase of goods and receipt of services	913211007317784309	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Marine accessories	91440101056586979E	Company with limited liability (whollyowned-owned by legal person)
Common controlling shareholder	China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91310110051227838H	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sales of goods and provision of services	91450700059544985W	Other company with limited liability
Common controlling shareholder	CSSC Guijiang Shipbuilding	Purchase of goods and receipt of services, sales of goods and provision of services	91450400199125619J	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China Shipbuilding International Trading Co., Ltd.	Purchase of goods and receipt of services	91310115703424416U	Company with limited liability(State-controlled)
Common controlling shareholder	CSSC Marine Power Components Co., Ltd.	Purchase of goods and receipt of services	913101157797531368	Other company with limited liability
Common controlling shareholder	CSSC Marine Services Co., Ltd.	Purchase of goods and receipt of services	91310115MA1K3M2Q92	Other company with limited liability
Common controlling shareholder	CSSC Marine Technology Co., Ltd.	Purchase of goods and receipt of services	91310115767236625B	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories	91310101132203280U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common controlling shareholder	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and labour and technical services	914504001991247986	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Jiujiang Boiler Co., Ltd.	Purchase of goods and receipt of services	91360406MA388PRP8Q	Other company with limited liability
Common controlling shareholder	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	Purchase of goods and receipt of services	91360400858263725E	Other company with limited liability
Common controlling shareholder	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Purchase of goods and receipt of services	91310107132943529A	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Science & Technology Co., Ltd.	Sale of goods and provision of services	913100001322836634	A-SHARE LISTED JOINT STOCK COMPANY (STATE-CONTROLLED)
Common controlling shareholder	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Marine accessories	91321102MA1MQMDU91	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China Shipbuilding Trading Guangzhou Co., Ltd.	Purchase of goods	91440101MA5AKBD904	Company with limited liability (wholly owned-owned by legal person)
Common controlling shareholder	CSSC Heavy Equipment Co., Ltd.	Labour and technical services	91440101799437720A	Other company with limited liability
Common controlling shareholder	CSSC (Hong Kong) Shipping Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	Overseas company	H Share Listed Joint Stock Company Limited(State-controlled)
Common controlling shareholder	China Ship News Agency	Purchase of goods and receipt of services	12100000E00663201G	Public institution
Common controlling shareholder	China Ship Power Station Equipment Co., Ltd	Product and equipment	91310115756976070P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China State Shipbuilding Corporation No.11 Research Institute	Purchase of goods and receipt of services	12100000717806669G	Public institution
Common controlling shareholder	China Shipbuilding Trading (BVI) Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	#5220000#511000704	Company with limited liability(State-controlled)
Common controlling shareholder	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Purchase of goods and receipt of services	914401011905500105	Ownership by the whole people
Common controlling shareholder	China Shipbuilding Trading Shanghai Co., Ltd.	Purchase of goods	913101151322076441	Other company with limited liability
Common controlling shareholder	China Shipbuilding Trading Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91110000100001027Q	Company with limited liability(State-controlled)
Common controlling shareholder	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.	Purchase of goods and receipt of services	91500105202804269L	Company with limited liability (wholly owned-owned by legal person)
Common controlling shareholder	CSSC Systems Engineering Research Institute	Purchase of goods and receipt of services		Public institution
Common controlling shareholder	China Shipbuilding Technology Institute	Purchase of goods and receipt of services	12110108400882006D	Public institution
Common controlling shareholder	Marine Design and Research Institute of China	Purchase of goods and receipt of services	12100000425007603X	Public institution
Common controlling shareholder	China National Shipbuilding Equipment & Materials Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91110000100009512E	Company with limited liability (wholly owned-owned by legal person)
Common controlling shareholder	China Shipbuilding Group Co., Ltd.	Purchase of goods and receipt of services	91310000MA1FL70B67	Company with limited liability (Wholly state-owned)
Common controlling shareholder	Zhongshan GSI Marine Engineering Company Limited	Leases	91442000684420937T	Other company with limited liability
Common ultimate controller	Beijing Bluewave Internet Technology Co., Ltd.	Purchase of goods and receipt of services	911101147376653304	Company with limited liability (wholly owned-owned by legal person)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common ultimate controller	Beijing the Great Wall Electronic Equipment Co., Ltd.	Purchase of goods and receipt of services	911101081019079710	Company with limited liability (wholly-owned-owned by legal person)
Common ultimate controller	Dalian Shipbuilding Technology Research Center Co., Ltd. (大連船舶工程技術研究中心有限公司)	Purchase of goods and receipt of services	91210231723461441G	Other company with limited liability
Common ultimate controller	Dalian Shipbuilding Industry Engineering Company	Purchase of goods and receipt of services	912102042430114845	Collective ownership
Common ultimate controller	Dalian Ship Valve Company Limited	Purchase of goods and receipt of services	912102311185217926	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	CSSC Dalian Marine Propeller Co., Ltd.	Purchase of goods and receipt of services	912102001184759685	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	CSSC Dalian New Consumables Co., Ltd.	Purchase of goods and receipt of services	91210213089099384Y	Other company with limited liability
Common ultimate controller	TTS Bohai Trading (DaLian) Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91210200773011078Y	Company with limited liability(Sino-foreign joint venture)
Common ultimate controller	Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	Purchase of goods and receipt of services	91440800MA52U9508N	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Harbin Guanghan Power Transmission Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	912301995654123446	Company with limited liability(State-controlled)
Common ultimate controller	Henan Diesel Engine Heavy Engineering Co., Ltd.	Purchase of goods and receipt of services	914103006634395595	Other company with limited liability
Common ultimate controller	KSEC Intelligent Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91530100709763144A	Other Joint Stock Company Limited (Unlisted)
Common ultimate controller	Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	913702007335097010	Other company with limited liability
Common ultimate controller	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Purchase of goods and receipt of services	91370200750419038P	Other Joint Stock Company Limited (Unlisted)
Common ultimate controller	Xiamen Sunrui Ship Coatings Co., Ltd.	Purchase of goods and receipt of services	91350200761709479M	Other company with limited liability
Common ultimate controller	Shanxi Fenxi Heavy Industry Co., Ltd	Purchase of goods and receipt of services	911400007701102654	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Shaanxi Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91610000755231771E	Company with limited liability(State-controlled)
Common ultimate controller	Shanghai Hunter Marine Equipment Co., Ltd.	Purchase of goods and receipt of services	91310230067816848E	Other company with limited liability
Common ultimate controller	Shanghai Hengtuo Industrial Development Co., Ltd.	Purchase of goods and receipt of services	913101046822767751	Company with limited liability(State-controlled)
Common ultimate controller	Shanghai Huajing Power Station Equipment Co., Ltd.	Purchase of goods and receipt of services	91310113631256379P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Shanghai Ling Yao Ship Engineering Co., Ltd.	Purchase of goods and receipt of services	91310112055059886N	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Shanghai Qiyao System Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91310000742134833G	Other company with limited liability
Common ultimate controller	Shanghai Qiyao Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	91310112342099741R	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common ultimate controller	Wuchang Shipbuilding Industry Group Co., Ltd.	Purchase of goods and receipt of services	91420100177688517B	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Wuhan Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	914201007581511288	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Wuhan Haiyi Science and Technology Limited Company	Purchase of goods and receipt of services	914201000819651028	Company with limited liability (invested or controlled by natural person)
Common ultimate controller	Wuhan Kawasaki Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	914201007246755641	Other company with limited liability
Common ultimate controller	Wuhan Huazhongtianqin Defense Technology Co., Ltd.	Purchase of goods and receipt of services	914201005879749892	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)
Common ultimate controller	Wuhan Lingan Technology Co., Ltd.	Purchase of goods and receipt of services	914201005749474475	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)
Common ultimate controller	Wuhan Temo Welding Consumables Co., Ltd.	Purchase of goods and receipt of services	91420107761211961K	Joint Stock Company Limited (unlisted, invested or controlled by natural persons)
Common ultimate controller	Wuhan Changhai Power Propulsion and Chemical Power Co., Ltd.	Sales of goods and provision of services	914201113335685180	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Wuhan Heavy Industry Casting & Forging Co., Ltd.	Purchase of goods and receipt of services	91420100177685180G	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Xi'an Hualei Shipbuilding Industry Co., Ltd. (西安華雷船舶實業有限公司)	Purchase of goods and receipt of services	91610113628000153X	Other company with limited liability
Common ultimate controller	Yichang Marine Diesel Co., Ltd.	Purchase of goods and receipt of services	91420500179161663U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Shanghai Marine Energy Saving Technology Development Co., Ltd.	Purchase of goods and receipt of services	91310101324445479M	Other company with limited liability
Common ultimate controller	CSIS(Shenyang) Microbe Free Technologies Corporation	Purchase of goods and receipt of services	91210100MA0U8RJ615	Company with limited liability (Sino-foreign joint venture)
Common ultimate controller	CSIC Haisheng Technology Co., Ltd.	Purchase of goods and receipt of services	91420500760672977G	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd.	Purchase of goods and receipt of services	913212830566715245	Other company with limited liability
Common ultimate controller	CSIC Material Trade Group (Mengla) Co., Ltd.	Purchase of goods and receipt of services	91532823MA6N3YER81	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	CSIC Material Trade Group Guangzhou Co., Ltd.	Purchase of goods and receipt of services	91440101552381964L	Other company with limited liability
Common ultimate controller	CSIC Material Trade Group Wuhan Co., Ltd.	Purchase of goods and receipt of services	91420100663453086G	Other company with limited liability
Common ultimate controller	CSIC Zhongnan Equipment Co., Ltd.	Purchase of goods and receipt of services	91420000757020943U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	CSIC Chongqing Changqing Machinery Co., Ltd.	Purchase of goods and receipt of services	91500101207901754J	Company with limited liability (wholly-owned by legal person)
Common ultimate controller	China Shipbuilding Equipment & Materials Northeast Corporation	Purchase of goods and receipt of services	91310101132203213X	Company with limited liability (State-controlled)
Common ultimate controller	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Purchase of goods and receipt of services	91440000190332072P	Other company with limited liability

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common ultimate controller	Marine Tower of China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Purchase of goods and receipt of services	9144000070767851XG	Other company with limited liability 分公司
Common ultimate controller	CSIC International Trading (Hong Kong) Co., Ltd.	Purchase of goods and receipt of services		Overseas company Company with limited liability
Common ultimate controller	CSIC Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91370211MA3DKDQ98F	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	China Shipbuilding Industry Corporation 722 Research Institute	Purchase of goods and receipt of services	81420000777564390K	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 726 Research Institute	Purchase of goods and receipt of services	813100007752031966	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 723 Research Institute	Purchase of goods and receipt of services	12100000400003702G	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 724 Research Institute	Purchase of goods and receipt of services	12100000426092408R	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 725 Research Institute	Purchase of goods and receipt of services	91410307MA3X4HHL0N	Ownership by the whole people
Common ultimate controller	Qingdao Division of China Shipbuilding Industry Corporation 725 Research Institute	Purchase of goods and receipt of services	91370202F67621652H	State-owned operating institution (Unincorporated)
Common ultimate controller	China Shipbuilding Industry Corporation 702 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 709 Research Institute	Purchase of goods and receipt of services	12100000441623908U	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 707 Research Institute	Purchase of goods and receipt of services	91360402739183968P	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 703 Research Institute	Purchase of goods and receipt of services	91230100414001783B	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 704 Research Institute	Purchase of goods and receipt of services	913101041326736107	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 705 Research Institute	Purchase of goods and receipt of services	12100000435232046K	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 701 Research Institute	Purchase of goods and receipt of services	121000004416239594	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 7 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 718 Research Institute	Purchase of goods and receipt of services	911304001055711332	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 712 Research Institute	Purchase of goods and receipt of services	12100000441623967Y	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 719 Research Institute	Purchase of goods and receipt of services	81420000F996602XH	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 716 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 717 Research Institute	Purchase of goods and receipt of services	1210000042000821X1	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 713 Research Institute	Purchase of goods and receipt of services	91410100712675452H	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 714 Research Institute	Purchase of goods and receipt of services	81110000664600359A	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 715 Research Institute	Purchase of goods and receipt of services	81330000777203464J	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 711 Research Institute	Purchase of goods and receipt of services	12100000425008729F	Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 12 Research Institute	Purchase of goods and receipt of services	91610481435721982U	Public institution
Common ultimate controller	CSSC Haizhuang Windpower Co., Ltd. (中國船舶重工集團海裝風電股份有限公司)	Purchase of goods and receipt of services	915000007562347987	Joint Stock Company Limited
Common ultimate controller	CSIC Heng Yuan Technology Co., Ltd.	Purchase of goods and receipt of services	91500101207901922L	Company with limited liability
Common ultimate controller	Chongqing Gearbox Co., Ltd.	Purchase of goods and receipt of services	915000002035507235	Company with limited liability
Common ultimate controller	Chongqing Hengshan Machinery Co., Ltd.	Purchase of goods and receipt of services	91500101207902191J	Company with limited liability (wholly-owned by legal person)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common ultimate controller	Chongqing Hongjiang Machinery Co., Ltd.	Purchase of goods and receipt of services	915000002028458376	Company with limited liability (wholly-owned-owned by legal person)
Common ultimate controller	Chongqing Huayu Electrical Group Limited	Purchase of goods and receipt of services	91500000202826724X	Other company with limited liability
Common ultimate controller	Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	Purchase of goods and receipt of services	91500116576196464R	Company with limited liability (wholly-owned-owned by legal person)
Common ultimate controller	Chongqing Yuejin Machinery Plant Co., Ltd.	Purchase of goods and receipt of services	915000002028992618	Company with limited liability (wholly-owned-owned by legal person)
Common ultimate controller	Chongqing Changzheng Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	9150000020280308XL	Company with limited liability (wholly-owned-owned by legal person)
Common ultimate controller	Chongqing Zhongchi Transportation Co., Ltd.	Purchase of goods and receipt of services	91500116203586718H	Company with limited liability
Common ultimate controller	Zibo Torch Energy Co., Ltd.	Purchase of goods and receipt of services	91370300164109846C	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Joint venture of controlling shareholder	TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	91310000607385242T	Company with limited liability(Sino-foreign joint venture)
Associate of controlling shareholder	Guangzhou Wenchong Industrial Co., Ltd.	Leases	91440101MA5CK3CP5P	Other company with limited liability
Associate of controlling shareholder	Wartsila CME Zhenjiang Propeller Co., Ltd.	Purchase of goods and receipt of services	91321191761020727C	Company with limited liability(Sino-foreign joint venture)
Joint venture of ultimate controller	Shanghai Kaiyue Construction Consulting and Supervision Co., Ltd.	Purchase of goods and receipt of services	913102301321634692	Other company with limited liability
Joint venture of ultimate controller	CSSC Jlai Cruise Technology Development (Shanghai) Co., Ltd.	Purchase of goods and receipt of services	91310113MA1GLDMA58	Company with limited liability(invested or controlled by natural person)
Associate of ultimate controller	Beijing Rui Chi Fei Si Engineering Consulting Co., Ltd. (Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.)	Purchase of goods and receipt of services	91110105756019617C	Other company with limited liability
Associate of ultimate controller	Zhongshan Branch of Guangzhou Diesel Engine Factory Co., Ltd.	Sales of goods and provision of services	91442000MA4WT8A901	Branch of other company with limited liability(Unlisted)
Associate of ultimate controller	Workers' Hospital of Guangzhou Huangpu Shipyard	Provision of services	124400007385780283	Public institution
Associate of ultimate controller	Guangzhou Shipyard Hospital	Purchase of goods and receipt of services and provision of services	12440000747580541M	Public institution
Associate of ultimate controller	Guangzhou Zhongdan Ship Design Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91440101MA5ARBB96R	Company with limited liability(Sino-foreign joint venture)
Associate of ultimate controller	Wuhan Kawasaki Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	914201006164298251	Company with limited liability(Sino-foreign joint venture)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Other explanations: In October 2019, CSSC 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, Supervisors, and Senior Management were appointed and the same applied to that of CSSC and China Shipbuilding Group. On 29 June 2021, China Shipbuilding Group issued the "Statement of China Shipbuilding Group Co., Ltd. on the Initiation of Relevant Procedures for the Joint Restructuring (中國船舶集團有限公司關於啟動聯合重組相關程序的說明)" and decided to proceed with the procedures in relation to the acquisition of the listed company to which CSSC and CSIC belong in accordance with relevant regulations from the date of issuance of such statement. Therefore, CSIC and its subsidiaries became connected parties to the Group and their transactions with the Group became continuous connected transactions.

(v) Related party transactions

The Company and CSSC signed the 2020-2022 Connected Continuing Transaction Framework Agreement and supplementary agreement, whereby both parties provide transactions:

- (1) Provision of products and services by the Group to CSSC, including ship products, electromechanical equipment and metal materials, etc., supply of power, leasing, labor and technical services services, etc.;
- (2) Provision of products and services by CSSC to the Group, including marine equipment, electromechanical equipment, ancillary parts and material supplies, etc., leasing, labor and technical services services, etc.;
- (3) Provision of financial services by CSSC to the Group, including deposit and loan business, other bank credit facilities, forward exchange settlement and sale, entrusted assets and guarantee business;
- (4) Provision of ship sales agency as well as material procurement agency services by CSSC to the Group, etc.

The pricing policy of related party transactions: Conducted on normal commercial terms and in the normal and 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 obtained or entitled from independent third parties by the Group (as the case maybe), and the transaction shall be fair and reasonable to the shareholders of the Company). The parties to the relevant agreements will, if necessary, enter into agreements setting out specific terms (including pricing bases) for each continuing connected transaction.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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	Amount for the year	Amount for last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	2,089,619,027.12	2,712,714,009.61
China Shipbuilding Industry Corporation 715 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	443,020,600.00	561,860,500.00
China Shipbuilding Industry Corporation 704 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	266,826,824.04	164,299,628.18
Eastern Shanghai Heavy Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	226,641,789.11	433,811,379.37
China United Shipbuilding Company Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	171,002,653.54	124,182,140.54
China Shipbuilding Industry Corporation 724 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	156,910,000.00	78,455,000.00
Shaanxi Diesel Engine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	155,582,580.59	93,340,430.90
China Shipbuilding Industry Corporation 711 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of labor, design and technical services	147,818,925.93	58,382,182.98
China Shipbuilding Trading Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	146,242,165.71	
Chongqing Gearbox Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	130,628,306.00	
Wuhan Marine Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	118,669,842.86	91,498,337.51
China Shipbuilding Industry Corporation 701 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of labor, design and technical services	101,216,400.00	31,912,702.50
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	Receipt of services	98,063,584.73	
China Shipbuilding Industry Corporation 709 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	94,192,140.00	44,696,070.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
Anqing CSSC Diesel Engine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	84,970,381.99	74,568,379.84
CSSC Systems Engineering Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design, labor and technical services	83,587,500.00	231,182,400.00
Guangzhou Shipyard International Company Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of labor, design and technical services	60,375,362.38	50,554,476.72
China Shipbuilding Industry Corporation 707 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	48,427,664.05	33,964,200.00
CSSC Nanjing Luzhou Machine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	35,243,981.21	29,776,912.53
China Shipbuilding Industry Corporation 713 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	35,184,090.00	
China Shipbuilding Trading Guangzhou Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	30,752,593.71	29,727,243.75
CSIC Diesel Engine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	30,215,929.20	30,203,539.82
China State Shipbuilding Corporation No.11 Research Institute (formerly Shanghai Shipbuilding Technology Research Institute)	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	30,155,900.00	
TTS Hua Hai Ships Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	28,764,173.44	5,769,772.13
China Shipbuilding Industry Corporation 716 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	26,536,000.00	25,096,000.00
Shanghai Merchant Vessel Design and Research Institute	Receipt of design and technical services	24,145,900.00	27,513,400.00
CSIC Material Trade Group Guangzhou Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	23,636,951.70	26,660,438.44
Wuhan Ligan Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	22,257,705.81	1,084,070.80
China Shipbuilding Industry Corporation 718 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	20,735,475.14	892,680.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
China Ship Power Station Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	19,820,000.00	4,055,500.00
Beijing the Great Wall Electronic Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	19,142,000.00	26,214,400.00
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	18,974,137.93	76,223,096.94
Wuhan Heavy Industry Casting & Forging Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	18,409,435.04	5,781,298.70
Henan Diesel Engine Heavy Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	17,342,194.29	3,938,323.27
CSIC Haisheng Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	17,030,600.00	940,000.00
China Shipbuilding Industry Corporation 723 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	15,674,000.00	21,074,000.00
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	15,418,300.00	23,293,750.21
Dalian Ship Valve Company Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	15,055,036.91	9,588.50
Haiying Enterprises Group Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	14,773,000.00	5,038,000.00
Kunming Division of China Shipbuilding Industry Corporation 705 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	14,484,000.00	
Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12,897,976.55	659,833.63
CSSC Marine Power (Zhenjiang) Co. Ltd. (formerly CSSC Marine Power Co. Ltd.)	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12,855,575.26	
CSSC Marine Power Institute Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12,300,885.00	
CSSC Marine Power Co. Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	11,499,322.29	32,731,585.03
Guangzhou Longxue Pipe Co., Ltd.	Receipt of services	11,024,579.25	16,749,148.72

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
Wuhan Temo Welding Consumables Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	10,018,237.17	5,709,700.00
Marine Design and Research Institute of China (formerly CSSC 708 Research Institute)	Receipt of labor, design and technical services	9,110,613.21	
China Shipbuilding Industry Corporation 726 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	7,560,000.00	22,775,000.00
Wuhan Haiyi Science and Technology Limited Company	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	7,368,849.55	6,688,426.92
Guangzhou Ship Industrial Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	7,311,152.74	12,207,675.74
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	6,430,399.61	760,318.76
CSSC Southern China Ship Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	6,243,562.65	7,599,724.00
Zhenjiang Modern Power Generation Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	6,162,478.92	8,259,176.11
China Shipbuilding Industry Corporation 712 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	6,120,000.00	3,883,000.00
CSIC Material Trade Group Wuhan Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	6,045,391.09	1,929,898.78
CSSC Jiujiang Boiler Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	5,851,672.55	3,886,831.84
China Shipbuilding Equipment & Materials Northeast Corporation	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	5,369,785.28	14,467,138.56
Marinequip China Company Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	5,347,672.10	19,693,903.30
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	4,852,684.96	16,255,161.51
Chongqing Jiangjin Shipbuilding Industry Co., Ltd	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	4,837,520.05	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
China Shipbuilding Industry Corporation 725 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	4,672,903.90	
Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	4,240,601.46	6,048,747.83
Shanghai Dongxin Software Engineering Co., Ltd.	Receipt of design and technical services	3,995,625.37	707,547.15
Guangzhou Wencheng Shipbuilding Co., Ltd.	Receipt of services	3,793,152.57	
China Shipbuilding Industry Corporation 711 Research Institute (Shanghai Marine Diesel Engine Research Institute)	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	3,665,486.70	
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	3,380,960.59	
Jiangxi Chaoyang Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	3,278,770.15	2,317,114.06
Guangzhou Shipyard Co., Ltd	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	3,200,778.41	9,033,698.68
China Shipbuilding Industry Corporation 703 Research Institute	Receipt of services	2,700,000.00	
China Shipbuilding NDRI Engineering Co., Ltd.	Purchase of fixed assets	2,364,829.22	
Shanghai Marine Energy Saving Technology Development Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	2,283,185.84	
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	2,178,761.07	10,486.73
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Receipt of design and technical services	1,982,217.61	984,714.66
Workers' Hospital of Guangzhou Huangpu Shipyard	Receipt of design and technical services	1,945,447.60	4,726,428.92
Marine Design and Research Institute of China (formerly CSSC 708 Research Institute)	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,750,000.00	
Guangzhou Hongfan Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	1,659,830.67	638,012.87

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
CSIC Zhongnan Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,658,000.00	5,258,000.00
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	1,642,775.20	2,160,273.43
Yichang Marine Diesel Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,633,628.32	231,987.04
Shanghai Ling Yao Ship Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,548,672.57	
Beijing Leiyin Electronic Technology Development Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,518,780.00	595,600.00
Wartsila CME Zhenjiang Propeller Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,413,793.10	2,138,388.77
CSSC Dalian Marine Propeller Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,381,000.00	1,381,000.00
Kindergarten of Guangzhou Huangpu Shipyard	Receipt of design and technical services	1,322,375.00	1,639,000.00
China Shipbuilding Technology Institute	Receipt of design and technical services	1,234,218.12	2,249,565.39
CSSC Marine Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,099,900.00	132,000.00
Shanghai Huajing Power Station Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,000,000.00	
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Purchase of fixed assets; Receipt of design and technical services	982,123.68	
Shanghai Haixun Electrical Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	976,399.12	35,309,734.51
China Shipbuilding International Trading Co., Ltd.	Receipt of design and technical services	950,000.00	
CSSC Marine Services Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	833,352.99	482,439.60
Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	822,983.80	178,018.86
Beijing Ship Industry Management College	Receipt of design and technical services	522,202.38	243,488.95

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
Zibo Torch Energy Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	512,773.32	249,145.00
CSSC Marine Power (Zhenjiang) Co. Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	507,345.13	
Technician Training School of Guangzhou Huangpu Shipyard	Receipt of design and technical services	481,716.98	1,026,291.66
Xiamen Sunrui Ship Coatings Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	465,327.43	278,548.67
Shanghai Hunter Marine Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	431,858.41	16,370.00
Shanghai Hudong Shipyard Valve Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	357,067.20	286,336.09
CSIC Chongqing Changping Machinery Co., Ltd.	Purchase of fixed assets	345,769.92	1,235,221.24
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Receipt of design and technical services	326,181.21	304,580.66
China Shipbuilding Industry Corporation 714 Research Institute	Receipt of design and technical services	299,466.97	314,368.99
CSSC Dalian New Consumables Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; Purchase of fixed assets	186,725.66	577,741.59
Guangdong GSI Elevator Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	149,557.52	
Xi'an Hualei Shipbuilding Industry Co., Ltd. (西安華雷船舶實業有限公司)	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	140,707.94	
China Shipbuilding NDRI Engineering Co., Ltd.	Receipt of design and technical services	138,227.08	9,953,621.12
Chongqing Zhongchi Transportation Co., Ltd	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	120,000.00	
China Shipbuilding Industry Corporation 722 Research Institute	Receipt of design and technical services	88,495.58	
Chongqing Huayu Electrical Group Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	84,080.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
Beijing Rui Chi Fei Si Engineering Consulting Co., Ltd. (Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.)	Purchase of fixed assets	65,250.00	248,146.60
Anqing Marine Electric Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	57,716.82	
CSSC Haizhuang Windpower Co., Ltd. (中國船舶重工集團海裝風電股份有限公司)	Receipt of design and technical services	47,169.81	31,509.43
Marine Tower of China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Receipt of design and technical services	43,750.95	
Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	42,835.40	684,000.00
Shanghai Qiyao Heavy Industry Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	41,375.21	
China Shipbuilding Industry Corporation Information Research Center (China Shipbuilding Industry Corporation 714 Research Institute)	Receipt of design and technical services	28,301.89	
China Shipbuilding IT Co., Ltd.	Receipt of design and technical services	16,132.08	3,351,647.40
China Shipbuilding Industry Corporation 708 Research Institute	Receipt of design and technical services	14,150.94	
Qingdao Division of China Shipbuilding Industry Corporation 725 Research Institute	Receipt of design and technical services	8,867.92	
China Shipbuilding Industry Complete Logistics Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	7,318.58	14,734.52
China Shipbuilding Industry Corporation 722 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	5,309.73	2,700,000.00
Shanghai Jiangnan Career Skills Training Center	Receipt of design and technical services	3,398.06	41,145.82
China Shipbuilding Industry Corporation 7 Research Institute	Receipt of design and technical services	1,264.15	7,028,561.32
Wuhan Kawasaki Marine Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	398.23	21,419.48
Dalian Shipbuilding Industry Engineering Company	Technical services		108,650,351.10
China State Shipbuilding Corporation No.11 Research Institute	Engineering		40,757,430.56

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
China Shipbuilding Industry Corporation 719 Research Institute	Materials purchased		37,876,106.19
Marine Design and Research Institute of China	Labour and technical services		28,595,349.02
China Shipbuilding Industry Corporation 705 Research Institute	Materials purchased		16,740,000.00
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories		8,945,414.17
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials purchased		7,934,309.03
Guangzhou Shipyard HR Service Co., Ltd.	Labour and technical services		5,678,279.67
Guangzhou Zhongdan Ship Design Co., Ltd.	Labour and technical services		5,482,080.00
China Shipbuilding Trading Co., Ltd.	Materials purchased		4,944,199.39
China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	Materials purchased		4,898,941.99
Guangzhou Shipyard Hospital	Purchase of goods and receipt of services		1,811,535.38
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Repair fees		1,772,168.96
Haifeng Navigation Technology Co., Ltd.	Materials purchased		1,706,896.46
China Shipbuilding Industry Corporation 717 Research Institute	Materials purchased		1,440,000.00
CSSC Marine Power Components Co., Ltd.	Materials purchased		1,302,654.86
Dalian Shipbuilding Technology Research Center Co., Ltd. (大連船舶工程技術研究中心有限公司)	Technical services		1,235,795.26
China Shipbuilding Industry Corporation 702 Research Institute	Materials purchased		734,513.32
China Shipbuilding Industry Corporation 703 Research Institute	Materials purchased		647,029.00
Wah-Chang International Marine Industry Company Limited	Materials purchased		514,927.15
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Materials purchased		327,433.63
CSSC Electronic Technology Co., Ltd.	Materials purchased		320,000.00
Shanxi Fenxi Heavy Industry Co., Ltd	Materials purchased		94,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Labour services		89,029.12
Chongqing Hongjiang Machinery Co., Ltd.	Materials purchased		61,223.40
Guangzhou Hongfan Hotel Co., Ltd.	Labour services		54,897.87
Beijing Bluewave Internet Technology Co., Ltd.	Materials purchased		29,203.54
Chongqing Hengshan Machinery Co., Ltd.	Materials purchased		26,052.70
CSIC Material Trade Group (Mengla) Co., Ltd.	Materials purchased		9,487.50
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Materials purchased		7,947.79
CSIS(Shenyang) Microbe Free Technologies Corporation	Materials purchased		4,000.00
Zhongshan GSI Marine Engineering Company Limited	Materials purchased		3,973.45
China Ship News Agency	Technical services		1,820.18
Total		5,349,406,806.22	5,690,497,063.87

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

1. Provision of mechanical and electrical equipment and material supplies, etc. at market prices, not higher than those provided by independent third parties;
2. Provision of marine accessories, iron outfitting parts, etc. Due to low unit price, sporadic and complicated, and often urgent needs and short lead time, so the unit price is agreed once a year through costing, and the material department of the Group will negotiate the order price with the supplier accordingly. If the price of raw materials in the market changes significantly, the Group will make appropriate adjustments according to the changes in the market;
3. Provision of marine equipment. If there is a member unit of CSSC Group in the manufacturer lists, the member unit will participate in the competition among two or more manufacturers in the manufacturer list, and the material department of the Group will negotiate the price as usual, and the Group will determine the price according to the market condition, but it will also consider the supply cycle, manufacturer qualification and service level and other factors to select the manufacturer, but the price will not be less favorable than those of the independent third party supplier. If individual equipment may be supplied by only one affiliated manufacturer due to the limitation of technical specifications or delivery conditions, the Group will negotiate the price with the supplier according to the recent contract price of the equipment or the unit price converted according to a certain technical data, combined with the market price of raw materials and other factors, but the price will not be less favorable than the terms and conditions provided by the independent third party supplier;
4. Participate in the materials and related logistics and distribution services centrally procured by CSSC Group, the price of which will not be less favorable than the terms and conditions provided by the independent third party supplier;
5. The price of receiving leasing is based on market price or cost plus 10% management fee, and the annual cap is based on the total value of the right-to-use assets recognized by CSSC and the total annual depreciation and interest costs calculated on the basis of the taxes payable for leasing production bases and staff quarters; Labour services will be priced at market price; the price of comprehensive services will not be less favorable than the terms and conditions provided by independent third parties. The pricing of technical services shall be based on the market price.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) Sale of goods/provision of services

Related party	Content of transaction	Amount for the year	Amount for last year
CSSC (Hong Kong) Shipping Company Limited	Sales of shipping products	456,709,036.88	1,137,353,506.62
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sales of electrical and mechanical engineering equipment, metallic materials and waste materials; Provision of services	61,290,813.69	81,765,221.64
China Shipbuilding Trading Co., Ltd.	Sales of shipping products	54,227,123.04	10,063,546.13
Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	Sales of metallic materials and sales of waste materials	39,855,344.67	
Guangzhou Shipyard International Company Limited	Sales of shipping, electrical and mechanical engineering products, metallic materials and sales of waste materials; Provision of design and technical services	28,451,173.32	8,725,641.08
Zhongshan GSI Marine Engineering Company Limited	Sales of metallic materials and sales of waste materials, Provision of leasing	18,063,347.77	45,862.73
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sales of metallic materials and sales of waste materials	17,844,847.55	
China Shipbuilding IT Co., Ltd.	Provision of design and technical services	3,150,442.48	1,628,318.58
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Sales of metallic materials and sales of waste materials	540,586.32	
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Provision of services	533,628.32	
Guangzhou Longxue Pipe Co., Ltd.	Provision of services	253,790.40	
CSSC Guijiang Shipbuilding Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	Provision of leasing Sales of metallic materials and sales of waste materials	214,500.00	3,915.09
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	Supply of utilities, Provision of design and technical services	172,566.37	309,433.96
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Provision of design and technical services	147,884.36	
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Provision of services	102,552.58	1,569.35
China Shipbuilding Trading Guangzhou Co., Ltd.	Provision of services	59,274.34	242,991.86
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sales of metallic materials and sales of waste materials	45,132.74	
Jiangxi Chaoyang Machinery Co., Ltd.	Sales of metallic materials and sales of waste materials	14,029.65	40,613.67
Workers' Hospital of Guangzhou Huangpu Shipyard	Supply of utilities, Provision of design and technical services	6,324.88	271,487.56
Guangzhou Shipyard Co., Ltd	Supply of utilities	742.83	159,662.77
China Shipbuilding NDRI Engineering Co., Ltd.	Provision of design and technical services	670.87	5,717,166.97
Anqing CSSC Diesel Engine Co., Ltd.	Provision of design and technical services	18.87	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Related party	Content of transaction	Amount for the year	Amount for last year
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sale of materials, Provision of services		8,982,208.80
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Shipbuilding		2,739,655.16
Dalian Shipbuilding Industry Engineering Company	Sale of materials		813,831.60
CSSC Marine Power Institute Co., Ltd.	Sale of materials		754,716.98
Wuchang Shipbuilding Industry Group Co., Ltd.	Sale of materials		721,885.84
CSSC Science & Technology Co., Ltd.	Labour and technical services		618,860.50
China Shipbuilding Industry Corporation 725 Research Institute(Luoyang Ship Material Research Institute)	Sale of materials		525,586.61
CSSC Nanjing Luzhou Machine Co., Ltd.	Provision of services		225,663.72
CSSC Heavy Equipment Co., Ltd.	Labour and technical services		158,848.47
Technician Training School of Guangzhou Huangpu Shipyard	Supply of utilities		108,110.62
Kindergarten of Guangzhou Huangpu Shipyard	Supply of utilities		56,231.49
Guangzhou Wencheng Shipbuilding Co., Ltd.	Sale of materials		40,115.04
Dalian Shipbuilding Technology Research Center Co., Ltd. (大連船舶工程技術研究中心有限公司)	Provision of services		33,750.86
CSSC Marine Power Co. Ltd.	Provision of services		31,681.42
CSSC Systems Engineering Research Institute	Labour and technical services		23,584.91
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Supply of utilities		5,660.38
Zhongshan Branch of Guangzhou Diesel Engine Factory Co., Ltd.	Provision of services		4,198.12
Total		681,683,831.93	1,262,173,528.53

The specific pricing methods for the sale of goods and provision of services are as follows:

1. Provision of shipping products, electrical and mechanical engineering equipment and metallic materials. The pricing will be based on market prices.
2. Supply of utilities. The pricing will be based on the cost of supply of utilities provided by CSSC group plus a 20-25% management fee or on terms no less favourable to the Group than terms available from independent third parties.
3. Leasing, labour supply, technical services, etc. The pricing will be based on terms no less favourable to the Group than terms available from independent third parties.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

2. Receipt of financial services

(1) Deposits

Name of related party	Balance of deposits		Interest income from deposits	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	6,191,940,179.15	6,179,869,944.74	64,831,240.93	67,060,909.04

Pricing principle: The interest rates on deposits with CSSC Finance are based on the benchmark deposit interest rates stipulated by the People's Bank of China with appropriate upward adjustments, and such rates should be no less favorable than the terms offered by independent third parties.

(2) Loans

Name of related party	Balance of loans		Interest expenses on loans	
	Ending balance	Beginning balance	Current year	Current year
CSSC Finance Company Limited	1,140,000,000.00	610,000,000.00	28,864,272.23	7,129,000.05

Pricing principle: Borrowings from CSSC Finance/CSSC are at rates no higher than the lending rates stipulated the People's Bank of China, which should be no less favorable than the terms offered by independent third-party lenders.

(3) Forward exchange settlement (purchase)

Name of related party	Forward exchange settlement (purchase) contract		Gain or loss on change in fair value of forward exchange settlement (purchase) contract		Investment income from forward exchange settlement (purchase)	
	Ending balance	Beginning balance	Current year (RMB)	Last year (RMB)	Current year (RMB)	Last year (RMB)
CSSC Finance Company Limited	US\$277.99 million	US\$ 134.00 million	24,762,657.23	73,696,274.08	2,773,948.13	374,680.69

Pricing principle: the handling fee for forward exchange settlement in CSSC Finance shall be based on the standard stipulated by the People's Bank of China; the fee standard should be no less favorable than the fee conditions from the independent third parties.

(4) Entrusted wealth management products

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	3,100,000,000.00	670,000,000.00	27,738,684.93	15,467,506.84

Pricing principle: To be determined at market rate, which shall be no less favorable than the fee conditions from the independent third parties.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Related leases

(1) The Group as lessor:

Name of lessee	Type of leased assets	Rental income recognised for the year	Rental income recognised for last year
Zhongshan GSI Marine Engineering Company Limited	Buildings and structures	10,473,600.00	8,728,000.00
Yinghui South Marine Tower (Guangzhou Fanyu) Co., Ltd.	Ships		114,159.22
Guangzhou Shipyard Co., Ltd	Buildings and structures		73,079.22
CSSC Xijiang Shipbuilding Co., Ltd.	Land, buildings and structures		6,510.95
Eastern Shanghai Heavy Machinery Co., Ltd.	Buildings and structures		2,590.08
		10,473,600.00	8,924,339.54

(2) The Group as lessee:

Name of lessor	Type of leased assets	Rental fees recognised for the year	Rental fees recognised for last year
Guangzhou Wenchong Industrial Co., Ltd.	Land, buildings and structures	13,488,140.21	10,936,725.47
Guangzhou Ship Industrial Co., Ltd.	Land, buildings and structures	1,147,654.51	1,239,881.65
Guangzhou Ship Industrial Co., Ltd.	Land, buildings and structures	5,145,329.30	6,440,231.68
Guangzhou Shipyard International Company Limited	Buildings and structures	1,658,333.88	2,049,216.40
China National Shipbuilding Equipment & Materials (South China) Co., Ltd	Buildings and structures	1,009,781.05	956,799.98
Guangzhou Shipyard Co., Ltd	Buildings and structures		19,396.62
Guangzhou Shipyard Co., Ltd	Land, buildings and structures		43,962.03
Total		22,449,238.95	21,686,213.83

Explanation of leasing of associated transactions: Guangzhou Ship Industrial Co., Ltd. entered into a lease agreement with Huangpu Wenchong and Wenchong Shipyard in relation to land use right, pursuant to which it leased certain land use right at Changzhou Factory owned by it to Huangpu Wenchong for operation. 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 of lease of the land use right shall commence on 1 May 2014 and end on the date on which Huangpu Wenchong finished relocation to Changzhou Factory and commence formal production in the new factory area.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

4. Related guarantees

(1) The Group as guarantor:

As at the end of the year, the Group had not provided guarantees to related parties.

(2) The Group as guaranteed party:

Name of guarantor	Name of guaranteed party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$12,200,000.00	2019/10/14	2022/4/11	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$12,200,000.00	2019/10/14	2022/5/28	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$8,760,000.00	2020/10/21	2023/5/12	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$8,760,000.00	2020/10/21	2023/6/28	No
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	US\$500,000.00	2020/9/23	2022/5/25	No
China State Shipbuilding Corporation Limited	Huangpu Wenchong	1,120,880,000.00	2020/11/2	2027/6/30	No

Pricing principle: The guarantee services provided by CSSC group to the Group are charged in accordance with general market practice and at a rate not higher than CSSC's external guarantee rates, and the relevant terms are no less favourable than those offered by independent third-party guarantors.

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

Name of guarantor	Name of guaranteed party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
Huangpu Wenchong	Wenchong Shipyard	350,000,000.00	2020/3/23	2021/6/21	Yes
Huangpu Wenchong	Wenchong Shipyard	400,000,000.00	2020/9/23	2021/6/18	Yes
Huangpu Wenchong	Wenchong Shipyard	300,000,000.00	2020/10/21	2021/10/20	Yes
Huangpu Wenchong	Wenchong Shipyard	US\$378,425.00	2020/10/30	2021/3/21	Yes
Huangpu Wenchong	Wenchong Shipyard	135,000,000.00	2020/11/11	2021/11/21	Yes
Huangpu Wenchong	Wenchong Shipyard	135,000,000.00	2020/11/11	2022/1/21	No
Huangpu Wenchong	Wenchong Shipyard	240,000,000.00	2021/4/10	2022/10/30	No
Huangpu Wenchong	Wenchong Shipyard	400,000,000.00	2021/10/9	2022/6/22	No
Huangpu Wenchong	Wenchong Shipyard	290,000,000.00	2021/12/8	2023/6/20	No
Huangpu Wenchong	Huangchuan Ocean Engineering	7,758,080.00	2020/4/2	2023/3/31	No
Huangpu Wenchong	Wenchuan Heavy Industrial	23,318,535.00	2020/5/12	2021/7/30	Yes
Huangpu Wenchong	Wenchuan Heavy Industrial	9,366,234.00	2020/5/19	2021/8/30	Yes
Huangpu Wenchong	Wenchuan Heavy Industrial	6,810,000.00	2020/7/1	2021/6/30	Yes
Huangpu Wenchong	Wenchuan Heavy Industrial	14,113,970.00	2020/7/1	2021/6/30	Yes
Huangpu Wenchong	Wenchuan Heavy Industrial	300,000,000.00	2020/7/10	2021/6/12	Yes
Huangpu Wenchong	Wenchuan Heavy Industrial	30,000,000.00	2020/8/1	2021/7/31	Yes
Huangpu Wenchong	Wenchuan Heavy Industrial	300,000,000.00	2021/5/21	2022/1/6	No

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

5. Other related party transactions

Type of transaction	Name of related party	Current year	Last year
Sales agency fees	China Shipbuilding Trading Co., Ltd	10,970,714.80	2,292,344.65
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	8,019,379.60	11,960,859.90
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited	4,098,194.00	2,927,254.40
Sales agency fees	China Shipbuilding Trading Shanghai Co., Ltd.	169,000.00	139,776.00
Procurement agency fees	China United Shipbuilding Company Limited	721,356.41	41,350.38
Letters of guarantee	China Shipbuilding Trading Co., Ltd	3,390,167.17	1,206,784.07
Financial institution handling fee	CSSC Finance Company Limited	1,717,046.75	2,225,576.29
Total		29,085,858.73	20,793,945.69

Pricing principle: The sales agency fee or commission will generally not exceed 1.5% of the contract amount according to international practice and will be paid in proportion to the progress payment per ship. In addition, the intermediary agent fee from overseas collected by CSSC group on behalf of intermediaries will be paid by CSSC group on behalf of relevant parties to the intermediaries. The procurement agency fees shall range from 1% to 2% of the contract price according to international practice, which was paid by the Group to CSSC group.

The guarantee letter fees were determined with reference to the rates charged by the banks issuing guarantee letters. Other financial and bank credit service charges shall be based on the charges stipulated by the People's Bank of China; the financial handling fee standard for bank facility to CSSC Finance shall be no less favourable than the facility terms and conditions provided by independent third party .

6. Related party transactions and connected transactions

The related party transactions mentioned in 1 to 5 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

7. Related party transactions between the Company and its subsidiaries

(1) Purchase of goods/services received

Related party	Content of related party transactions	Amount for the year	Amount for last year
Wenchuan Industrial	Purchase of goods and receipt of services	15,258,016.07	
CSSC Internet	Purchase of goods and receipt of services	110,946.90	34,825.47
Zhongshan GSI	Purchase of goods and receipt of services		932,659.08
GSI	Purchase of goods and receipt of services		111,201,250.62
Hongfan Hotel	Purchase of goods and receipt of services		8,347.00
Guangli Company	Receipt of services		940,062.78
GSI Elevator	Receipt of services		39,823.01
Total		15,368,962.97	113,156,967.96

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/provision of services

Related party	Content of related party transactions	Amount for the year	Amount for last year
Huangpu Wenchong	Lease of properties	9,816,000.00	14,724,000.00
Zhongshan GSI	Sales of goods and provision of services		495,876.11
GSI	Sales of goods and provision of services		4,751,953.40
GSI Elevator	Sales of goods and provision of services		70,255,251.15
Zhongshan GSI	Lease of properties		1,745,600.00
Total		9,816,000.00	91,972,680.66

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(vi) Receivables and payables from related parties

1. Receivables

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Cash at bank and on hand – interest receivable		67,306,694.45		31,409,369.10	
	CSSC Finance Company Limited	67,306,694.45		31,409,369.10	
Accounts receivable		43,933,101.58		53,941,896.58	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	18,045,380.77		19,595,685.39	
	China Shipbuilding Trading Co., Ltd.	16,739,000.00		17,471,800.00	
	Guangzhou Shipyard International Company Limited	5,682,542.81		8,718,559.69	
	China Shipbuilding IT Co., Ltd.	1,754,500.00		1,840,000.00	
	China Shipbuilding NDRI Engineering Co., Ltd.	645,500.00		645,500.00	
	Zhongshan GSI Marine Engineering Company Limited	428,820.75		51,824.88	
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	309,581.04		3,405,391.38	
	Dalian Shipbuilding Industry Engineering Company	218,682.11		223,639.58	
	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	34,250.40			
	Shanghai Dongxin Software Engineering Co., Ltd.	33,962.26			
	Wuhan Changhai Power Propulsion and Chemical Power Co., Ltd.	26,731.00		26,731.00	
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	14,150.44			
	Wuchang Shipbuilding Industry Group Co., Ltd.			815,731.00	
	China Shipbuilding Industry Corporation 725 Research Institute			593,912.87	
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.			489,530.38	
	Guangzhou Wencheng Shipbuilding Co., Ltd.			45,330.00	
	Jiangxi Chaoyang Machinery Co., Ltd.			14,139.26	
	CSSC Guijiang Shipbuilding			4,121.15	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments		1,506,307,785.36		658,804,018.55	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	608,553,523.78		171,684,013.63	
	China Shipbuilding Trading Co., Ltd.	268,259,314.82		111,153,965.30	
	China Shipbuilding Trading Shanghai Co., Ltd.	235,995,152.19		235,995,152.19	
	Eastern Shanghai Heavy Machinery Co., Ltd.	211,286,732.33		39,420,000.00	
	China National Shipbuilding Equipment & Materials Co., Ltd.	110,509,349.52			
	Shanghai Ling Yao Ship Engineering Co., Ltd.	35,322,706.10			
	Anqing CSSC Diesel Engine Co., Ltd.	15,124,119.66		11,070,500.00	
	China Shipbuilding Equipment & Materials Northeast Corporation	12,310,151.85			
	CSIC International Trading (Hong Kong) Co., Ltd.	4,419,826.80			
	Shanghai Marine Energy Saving Technology Development Co., Ltd.	1,290,000.00			
	Marinequip China Company Limited	1,093,265.20		2,186,530.40	
	China Shipbuilding Trading (BVI) Co., Ltd.	1,083,396.41		632,920.80	
	Chongqing Yuejin Machinery Plant Co., Ltd.	804,716.70			
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	234,000.00			
	Jiangxi CSSC Navigation Instrument Co., Ltd.	15,860.00		15,860.00	
	CSIC Heng Yuan Technology Co., Ltd.	5,670.00		5,670.00	
	China Shipbuilding Industry Corporation 724 Research Institute			34,412,400.00	
	China State Shipbuilding Corporation No.11 Research Institute			10,264,700.01	
	Shaanxi Diesel Engine Co., Ltd.			24,192,697.00	
	CSSC Marine Power Institute Co., Ltd.			10,030,000.00	
	Wuhan Haiyi Science and Technology Limited Company			3,071,016.80	
	Wartsila Qiyao Diesel Co., Ltd. (Shanghai)			1,581,000.00	
	CSSC Jiujiang Boiler Co., Ltd.			1,264,000.00	
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.			1,096,767.00	
	Guangzhou Shipyard International Company Limited			603,475.71	
	CSIC Material Trade Group Wuhan Co., Ltd.			119,226.52	
	CSSC Wartsila Engine (Shanghai) Co.Ltd.(中船瓦錫蘭發動機(上海)有限公司)			4,123.19	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables		1,023,620.99		26,620,935.24	
	Guangzhou Wenchong Industrial Co., Ltd.	548,427.63		43,343.31	
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	248,748.00		248,748.00	
	Guangzhou Wenchong Shipbuilding Co., Ltd.	167,252.29			
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	29,805.80			
	China Shipbuilding Trading Co., Ltd.	23,962.10		1,088,621.08	
	CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	4,440.00			
	Dalian Shipbuilding Industry Engineering Company	985.17		2,549.27	
	CSSC Nanjing Luzhou Machine Co., Ltd.			25,187,060.81	
	Guangzhou Shipyard International Company Limited			43,817.70	
	Beijing Ship Industry Management College			5,000.00	
	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.			1,441.32	
	CSSC Guijiang Shipbuilding			353.75	
Contract assets		2,299,098.30		400,011,648.38	
	Guangzhou Shipyard International Company Limited	1,706,698.70			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	255,487.93			
	China Shipbuilding IT Co., Ltd.	178,000.00			
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	154,790.52			
	CSSC Guijiang Shipbuilding	4,121.15			
	CSSC (Hong Kong) Shipping Company Limited			400,011,648.38	
Other non-current assets		56,453,646.07		58,820,490.99	
	Guangzhou Shipyard International Company Limited	56,453,646.07		58,820,490.99	
	Total	1,677,323,946.75		1,229,608,358.84	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

2. Payables

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
Notes payable		1,609,328,436.27	1,834,311,009.81
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	480,677,784.56	692,619,467.81
	China Shipbuilding Industry Corporation 715 Research Institute	219,597,650.00	232,900,000.00
	CSSC Systems Engineering Research Institute	167,396,700.00	273,185,000.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	144,680,206.90	92,030,086.83
	China Shipbuilding Industry Corporation 711 Research Institute	63,406,850.00	6,351,159.00
	China Shipbuilding Industry Corporation 724 Research Institute	58,600,000.00	142,115,000.00
	China Shipbuilding Industry Corporation 704 Research Institute	56,947,700.00	39,040,400.00
	China National Shipbuilding Equipment & Materials Co., Ltd.(中國船舶工業物資有限公司)	59,850,730.25	
	China Ship Development and Design Center	50,450,400.00	
	China Shipbuilding Industry Corporation 717 Research Institute	47,929,500.00	69,130,000.00
	China National Shipbuilding Equipment & Materials Co., Ltd.	47,153,662.10	
	China Shipbuilding Industry Corporation 709 Research Institute	42,348,140.00	35,960,000.00
	Anqing CSSC Diesel Engine Co., Ltd.	30,819,100.00	39,973,264.60
	China Shipbuilding Trading Guangzhou Co., Ltd.	21,125,602.30	5,945,704.00
	Wuhan Marine Machinery Co., Ltd.	16,758,559.00	27,512,800.00
	China Shipbuilding Equipment & Materials Northeast Corporation	15,019,642.84	
	Shanghai Shipbuilding Technology Research Institute	15,000,000.00	8,000,000.00
	China Shipbuilding Industry Corporation 713 Research Institute	6,572,250.00	
	CSSC Marine Power (Zhenjiang) Co. Ltd.	9,277,483.00	
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	8,724,024.70	635,500.00
	China Shipbuilding Industry Corporation 723 Research Institute	8,040,000.00	
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	6,982,000.00	6,298,299.44
	China Ship Power Station Equipment Co., Ltd	5,820,000.00	
	Wuhan Lingan Technology Co., Ltd.	5,616,000.00	
	CSSC Jiujiang Boiler Co., Ltd.	4,084,915.00	
	China Shipbuilding Industry Corporation 718 Research Institute	3,957,000.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
	Wuhan Haiyi Science and Technology Limited Company	3,146,400.00	7,083,000.00
	Zhejiang Modern Power Generation Equipment Co., Ltd.	2,443,800.00	
	Henan Diesel Engine Heavy Engineering Co., Ltd.	1,954,000.00	
	Guangzhou Longxue Pipe Co., Ltd.	1,451,015.62	712,299.90
	Marine Design and Research Institute of China	1,400,000.00	
	Shanghai Ling Yao Ship Engineering Co., Ltd.	1,137,500.00	
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	653,600.00	5,058,328.52
	Xiamen Sunrui Ship Coatings Co., Ltd.	306,220.00	200,080.00
	Shaanxi Diesel Engine Co., Ltd.		31,441,500.00
	CSIC Diesel Engine Co., Ltd.		30,867,000.00
	Shanghai Haixun Electrical Engineering Co., Ltd.		24,925,000.00
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.		17,729,403.72
	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.		13,100,500.00
	China Shipbuilding Industry Corporation 716 Research Institute		6,312,000.00
	CSSC Marine Power Co. Ltd.		5,671,983.00
	China Shipbuilding Industry Corporation 705 Research Institute		4,544,000.00
	China Shipbuilding Industry Corporation 707 Research Institute		2,880,000.00
	China Shipbuilding Industry Corporation 725 Research Institute(Luoyang Ship Material Research Institute)		2,571,538.25
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.		2,002,550.92
	China Shipbuilding Industry Corporation 712 Research Institute		1,843,000.00
	CSIC Material Trade Group Guangzhou Co., Ltd.		1,534,074.98
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.		1,373,534.00
	CSSC Nanjing Luzhou Machine Co., Ltd.		917,700.00
	CSIC Haisheng Technology Co., Ltd.		800,000.00
	CSSC Dalian New Consumables Co., Ltd.		561,470.00
	CSIC Material Trade Group Wuhan Co., Ltd.		485,364.84

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
Accounts payable		2,594,068,747.33	2,408,632,234.56
	CSSC Systems Engineering Research Institute	450,047,008.75	482,228,246.99
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	382,367,076.39	137,972,906.42
	China Shipbuilding Industry Corporation 715 Research Institute	249,248,600.00	468,974,250.00
	China Shipbuilding Industry Corporation 713 Research Institute	134,270,825.00	84,519,500.00
	Chongqing Gearbox Co., Ltd.	131,600,339.00	66,252,680.00
	China Shipbuilding Industry Corporation 704 Research Institute	119,545,646.06	137,641,492.68
	Guangzhou Wenchong Industrial Co., Ltd.	115,291,232.85	100,721,341.65
	Marine Design and Research Institute of China	75,886,845.24	12,549,345.24
	China Shipbuilding Industry Corporation 716 Research Institute	70,422,301.73	59,428,301.73
	Shaanxi Diesel Engine Co., Ltd.	54,118,226.00	
	China National Shipbuilding Equipment & Materials Co., Ltd.	52,586,696.41	
	China Shipbuilding Industry Corporation 726 Research Institute	51,098,000.00	38,040,000.00
	Guangzhou Ship Industrial Co., Ltd.	50,328,162.22	46,134,418.91
	China Shipbuilding Industry Corporation 709 Research Institute	47,768,500.00	71,058,250.00
	China Shipbuilding Industry Corporation 711 Research Institute	47,144,605.70	56,857,757.79
	Wuhan Marine Machinery Co., Ltd.	44,214,450.56	34,689,691.56
	Dalian Shipbuilding Industry Engineering Company	43,384,664.89	26,242,554.51
	Guangzhou Shipyard International Company Limited	31,875,366.64	29,464,356.79
	China Shipbuilding Industry Corporation 707 Research Institute	30,299,625.00	53,180,465.00
	China United Shipbuilding Company Limited	27,361,154.86	93,377,817.58
	Haiying Enterprises Group Co., Ltd.	27,034,000.00	24,633,500.00
	CSSC Marine Technology Co., Ltd.	25,336,716.24	457,416.24
	China Shipbuilding Industry Corporation 723 Research Institute	25,154,000.00	36,536,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
	Wuhan Haiyi Science and Technology Limited Company	21,122,082.73	
	China Shipbuilding Industry Corporation 724 Research Institute	20,507,600.00	
	Beijing the Great Wall Electronic Equipment Co., Ltd.	17,886,500.00	10,959,000.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	17,600,558.02	17,468,635.22
	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	16,118,844.00	4,999,132.46
	China Shipbuilding Industry Corporation 718 Research Institute	14,624,348.28	3,820,600.00
	China Shipbuilding Industry Corporation 717 Research Institute	14,088,000.00	10,432,000.00
	CSSC Southern China Ship Machinery Co., Ltd.	12,353,366.58	11,583,056.58
	China State Shipbuilding Corporation No.11 Research Institute	12,334,424.54	
	China Shipbuilding Trading Guangzhou Co., Ltd.	10,753,206.65	17,615,597.23
	Harbin Guanghan Power Transmission Co., Ltd.	10,173,000.00	
	China Ship Power Station Equipment Co., Ltd.	9,008,000.00	5,141,050.00
	China Ship Development and Design Center	8,361,050.00	
	CSSC Marine Power (Zhenjiang) Co. Ltd.	8,056,883.71	
	China Shipbuilding NDRI Engineering Co., Ltd.	7,501,093.89	12,418,324.49
	Shanghai Merchant Vessel Design and Research Institute	7,480,000.00	7,480,000.00
	China Shipbuilding Equipment & Materials Northeast Corporation	5,465,553.64	
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	5,170,756.85	5,386,109.17
	Anqing CSSC Diesel Engine Co., Ltd.	5,117,430.09	9,966,082.19
	TTS Hua Hai Ships Equipment Co., Ltd.	5,078,562.82	
	CSIC Zhongnan Equipment Co., Ltd.	4,419,598.00	2,742,800.00
	CSSC Nanjing Luzhou Machine Co., Ltd.	4,289,280.00	14,659,907.79
	Marinequip China Company Limited	4,146,809.37	1,282,315.89
	CSSC Hua Hai Ships Equipment Co., Ltd.	3,700,000.00	
	China Shipbuilding Industry Corporation 725 Research Institute(Luoyang Ship Material Research Institute)	3,673,869.20	3,844,484.82
	China Shipbuilding International Trading Co., Ltd.	3,636,175.00	2,686,175.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
	Shanghai Dongxin Software Engineering Co., Ltd.	3,610,050.00	786,800.00
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	3,140,832.65	2,867,127.50
	Guangzhou Longxue Pipe Co., Ltd.	2,740,743.50	3,366,827.94
	Yichang Marine Diesel Co., Ltd.	2,711,151.73	928,782.43
	Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	2,357,783.95	2,189,281.27
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	2,141,414.68	1,886,222.68
	Beijing Leiyin Electronic Technology Development Co., Ltd.	1,866,780.00	270,000.00
	Shanghai Hudong Shipyard Valve Co., Ltd.	1,856,729.41	2,129,183.79
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	1,824,049.14	3,990,487.93
	China Shipbuilding Industry Corporation 705 Research Institute	1,680,000.00	18,992,000.00
	China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	1,598,928.00	647,658.00
	Henan Diesel Engine Heavy Engineering Co., Ltd.	1,481,887.30	1,269,330.50
	Zhenjiang Modern Power Generation Equipment Co., Ltd.	1,344,023.39	7,548,804.84
	Wuhan Lingan Technology Co., Ltd.	1,300,650.00	16,520,813.77
	Shanghai Marine Energy Saving Technology Development Co., Ltd.	1,290,000.00	
	CSSC Jiujiang Boiler Co., Ltd.	1,268,761.12	114,090.50
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	1,266,005.17	1,980,872.69
	Guangzhou Hongfan Technology Co., Ltd.	1,247,527.40	1,064,468.97
	China Shipbuilding Industry Corporation 722 Research Institute	1,196,065.00	1,331,065.00
	Chongqing Changzheng Heavy Industry Co., Ltd.	1,117,180.00	
	China Shipbuilding Industry Corporation 703 Research Institute	1,087,670.00	3,262,750.00
	Dalian Ship Valve Company Limited	962,498.09	5,666,928.17
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	934,752.25	2,095,879.75
	Guangdong GSI Elevator Machinery Equipment Co., Ltd.	928,667.93	33,664.15
	Zhongshan GSI Marine Engineering Company Limited	871,354.50	875,844.50

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	771,499.89	14,572,137.93
	Shanghai Hunter Marine Equipment Co., Ltd.	730,616.97	633,016.97
	CSSC Electronic Technology Co., Ltd.	714,629.18	714,629.18
	Jiangxi Chaoyang Machinery Co., Ltd.	656,489.99	1,853,735.24
	China Shipbuilding Technology Institute	611,000.00	360,000.00
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	513,189.00	
	CSIC Electrical Machinery Science & Technology Co., Ltd.	507,852.00	510,000.00
	China Shipbuilding Industry Corporation 712 Research Institute	503,000.00	2,040,000.00
	CSSC Marine Services Co., Ltd.	493,381.38	117,585.00
	Guangzhou Shipyard Co., Ltd.	449,124.09	1,242,639.70
	TTS Bohai Trading (DaLian) Co., Ltd.	420,000.00	
	Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司)	409,843.28	
	CSIC Material Trade Group Guangzhou Co., Ltd.	384,458.94	34,451.02
	China Shipbuilding Industry Complete Logistics Co., Ltd.	376,716.86	388,266.86
	Shanghai Kaiyue Construction Consulting and Supervision Co., Ltd.	375,582.49	
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	360,524.90	209,879.90
	Wuhan Huazhongtianqin Defense Technology Co., Ltd.	356,603.76	356,603.76
	Zibo Torch Energy Co., Ltd.	342,125.31	37,693.31
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co., Ltd.	341,624.53	294,821.95
	Suzhou Jianghai Communication Co., Ltd.	321,150.00	428,520.00
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	298,000.00	470,000.00
	Guangzhou Wencheng Shipbuilding Co., Ltd.	265,402.83	2,031,933.96
	China Shipbuilding Trading Co., Ltd.	264,555.36	
	CSIC Haisheng Technology Co., Ltd.	222,000.00	7,721,050.00
	China Shipbuilding IT Co., Ltd.	206,692.05	4,334,192.05
	Xiamen Sunrui Ship Coatings Co., Ltd.	185,132.30	
	CSIC Chongqing Changping Machinery Co., Ltd.	173,280.00	333,340.00
	CSSC Dalian Marine Propeller Co., Ltd.	169,641.71	395,721.71

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
	Haifeng Navigation Technology Co., Ltd.	150,244.96	96,439.65
	CSSC Marine Power Components Co., Ltd.	147,200.00	147,200.00
	CSSC Jiai Cruise Technology Development (Shanghai) Co., Ltd.	126,000.00	
	Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	120,000.00	120,000.00
	Wuhan Kawasaki Marine Machinery Co., Ltd.	114,000.00	2,280,000.00
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	93,972.77	93,972.77
	Wah-Chang International Marine Industry Company Limited	89,767.71	
	Wuhan Temo Welding Consumables Co., Ltd.	87,080.00	
	Shanghai Waigaoqiao Shipbuilding & Marine Engineering Design Co. Ltd.	84,650.00	846,500.00
	CSSC Finance Company Limited	83,000.00	83,000.00
	Jiujiang Precision Testing Technology Research Institute	82,613.70	82,613.70
	Shanxi Fenxi Heavy Industry Co., Ltd.	78,600.00	172,600.00
	CSIC Diesel Engine Co., Ltd.	70,637.17	26,940,539.82
	Zhendui Industrial Intelligent Technology Co., Ltd.	56,000.00	
	Shanghai Huajing Power Station Equipment Co., Ltd.	51,025.64	1,001,025.64
	Anqing Marine Electric Co., Ltd.	50,610.00	18,000.00
	KSEC Intelligent Technology Co., Ltd.	47,250.00	
	Chongqing Huayu Electrical Group Limited	40,000.00	79,250.00
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	38,880.00	38,880.00
	Wuchang Shipbuilding Industry Group Co., Ltd.	33,000.00	33,000.00
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	27,558.00	27,558.00
	CSSC Dalian New Consumables Co., Ltd.	19,011.11	
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	18,901.28	440,587.28
	China Shipbuilding Industry Corporation 12 Research Institute	17,150.00	17,150.00
	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd.	16,000.00	320,000.00
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	Wartsila CME Zhenjiang Propeller Co., Ltd.	8,461.54	20,000.00
	Shanghai Qiyao System Engineering Co., Ltd.	3,418.80	
	Eastern Shanghai Heavy Machinery Co., Ltd.	1,500.00	1,492,981.33
	Shanghai Hengtuo Industrial Development Co., Ltd.	1,282.05	1,282.05
	Shanghai Qiyao Heavy Industry Co., Ltd.	0.28	11,608.46
	Chongqing Yuejin Machinery Plant Co., Ltd.		1,578,000.00
	CSSC Marine Power Co. Ltd.		16,493,189.60

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
	China Shipbuilding Industry Corporation 719 Research Institute		12,840,000.00
	China Shipbuilding Industry Corporation 701 Research Institute		12,145,486.15
	China Shipbuilding Industry Corporation 7 Research Institute		5,417,950.00
	China Shipbuilding Industry Corporation 710 Research Institute		1,480,000.00
	Workers' Hospital of Guangzhou Huangpu Shipyard		687,522.00
	China Shipbuilding Trading (BVI) Co., Ltd.		364,075.24
	Shanghai Ling Yao Ship Engineering Co., Ltd.		268,793.90
	Xi'an Hualei Machinery and Electronics Group Co., Ltd.		200,615.06
	Yangzhou Marine Science and Electronic Technology Co., Ltd.		192,500.00
	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.		145,543.68
	CSIC Material Trade Group Co., Ltd.		91,000.00
	China Shipbuilding Industry Corporation 714 Research Institute		5,730.00
	Shanghai Jiangnan Career Skills Training Center		2,700.00
Contract liabilities		83,986,856.65	31,303,320.05
	Guangzhou Shipyard International Company Limited	50,406,816.07	14,859,541.43
	Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	14,967,221.70	
	China Shipbuilding Trading Shanghai Co., Ltd.	13,977,600.00	13,977,600.00
	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.	1,899,800.88	
	China Shipbuilding Group Co., Ltd.	1,733,679.25	
	China Shipbuilding Industry Corporation 703 Research Institute Wuxi Branch	481,566.37	
	China Shipbuilding IT Co., Ltd.	226,358.49	
	Technician Training School of Guangzhou Huangpu Shipyard	203,548.40	
	CSSC Guijiang Shipbuilding Marine Design and Research Institute of China	90,265.49	2,000,000.00
	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.		175,500.00
	China Shipbuilding Trading Co., Ltd.		160,050.30
	Shanghai CSSC Lingang ship Equipment Co., Ltd.		130,628.32

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Name of item	Related parties	Book balance as at the end of the year	Book balance as at the beginning of the year
Other payables		2,194,526.88	5,514,035.97
	Dalian Shipbuilding Industry Engineering Company	703,200.00	703,200.00
	CSSC Finance Company Limited	400,000.00	400,000.00
	China Shipbuilding Industry Corporation 703 Research Institute Wuxi Branch	291,000.00	
	China Shipbuilding NDRI Engineering Co., Ltd.	216,750.00	2,751,134.15
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	203,400.00	203,400.00
	Jiangxi Chaoyang Machinery Co., Ltd.	200,000.00	200,000.00
	CSSC Haizhuang Windpower Co., Ltd. (中國船舶重工集團海裝風電股份有限公司)	110,155.16	
	China Shipbuilding Industry Corporation 708 Research Institute	65,521.72	
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	4,000.00	4,000.00
	Shanghai Kalyue Construction Consulting and Supervision Co., Ltd.	500.00	
	China State Shipbuilding Corporation No.11 Research Institute		750,000.00
	Guangzhou Hongfan Technology Co., Ltd.		286,000.00
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.		216,301.82
Short-term borrowings		1,140,000,000.00	
	CSSC Finance Company Limited	1,140,000,000.00	
Interest on short-term borrowings		836,527.79	491,166.67
	CSSC Finance Company Limited	836,527.79	491,166.67
Interests on long-term borrowings due with one year			7,256.94
	CSSC Finance Company Limited		7,256.94
Lease liabilities due within one year		22,059,485.21	22,449,238.94
	Guangzhou Wenchong Industrial Co., Ltd.	13,807,191.13	13,488,140.21
	Guangzhou Ship Industrial Co., Ltd.	6,461,225.31	6,292,983.81
	Guangzhou Shipyard International Company Limited	1,704,687.33	1,658,333.87
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	86,381.44	1,009,781.05
Lease liabilities		74,350,237.76	96,409,722.99
	Guangzhou Ship Industrial Co., Ltd.	32,585,759.89	40,255,329.08
	Guangzhou Shipyard International Company Limited	26,405,070.05	28,109,757.39
	Guangzhou Wenchong Industrial Co., Ltd.	14,151,063.95	27,958,255.08
	Guangzhou Ship Industrial Co., Ltd.	1,208,343.87	
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.		86,381.44
Total		5,526,824,817.89	4,399,117,985.93

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Receivables of the Company from its subsidiaries

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision of bad debts	Book balance	Provision of bad debts
Non-current assets due within one year	Huangpu Wenchong			835,538,777.80	
Total				835,538,777.80	

4. Payables of the Company to its subsidiaries

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
Accounts payables	Wenchuan Industrial	16,295,865.75	132,116,054.36
	CSSC Internet	16,228,365.75	3,597,128.22
	Huangpu Wenchong	67,500.00	128,518,926.14
Contract liabilities	Huangpu Wenchong		8,759,660.00
	Wenchuan Industrial		8,759,660.00
Total		16,295,865.75	140,875,714.36

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(vii) Remuneration of Directors, Supervisors and key management

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

Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Amount for the year					
Executive Directors					
Han Guangde					
Chen Zhongqian					
Chen Liping (general manager)		1,030,445.00	72,660.55	216,733.56	1,319,839.11
Xiang Huiming		852,121.00	70,628.47	71,545.56	994,295.03
Non-executive Directors					
Chen Ji					
Ren Kaijiang (from 22 December to 31 December)					
Gu Yuan					
Independent Director					
Yu Shiyou	200,000.00				200,000.00
Lin Bin	200,000.00				200,000.00
Nie Wei	200,000.00				200,000.00
Li Zhijian	200,000.00				200,000.00
Sub-total of Directors	800,000.00	1,882,566.00	143,289.02	288,279.12	3,114,134.14
Supervisors					
Chen Shuofan		155,976.63	13,387.10	11,779.30	181,143.03
Chen Shu	120,000.00				120,000.00
Zhu Weibin	120,000.00				120,000.00
Zhang Qinghuan					
Li Kai		596,353.50	77,285.78	77,423.52	751,062.80
Sub-total of Supervisors	240,000.00	752,330.13	90,672.88	89,202.82	1,172,205.83
Total	1,040,000.00	2,634,896.13	233,961.90	377,481.94	4,286,339.97

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Amount for last year					
Executive Directors					
Han Guangde					
Chen Zhongqian		96,600.00	10,134.47	2,661.96	109,396.43
Chen Liping		746,482.00	63,189.79	2,661.96	812,333.75
Sheng Jigang (from 1 January to 8 December)		1,029,520.00	50,557.19	2,661.96	1,082,739.15
Xiang Huiming		979,947.00	65,802.70	2,661.96	1,048,411.66
Chen Ji		96,600.00	10,141.38	2,661.96	109,403.34
Non-executive Directors					
Gu Yuan (from 23 October to 31 December)					
Shi Jun (from 1 January to 23 October)					
Yu Shiyou	200,000.00				200,000.00
Lin Bin (from 23 October to 31 December)	37,500.00				37,500.00
Li Zhijian (from 23 October to 31 December)	37,500.00				37,500.00
Nie Wei (from 23 October to 31 December)	37,500.00				37,500.00
Wang Yichu (from 1 January to 23 October)	162,500.00				162,500.00
Min Weiguo (from 1 January to 23 October)	162,500.00				162,500.00
Liu Renhuai (from 1 January to 23 October)	162,500.00				162,500.00
Sub-total of Directors	800,000.00	2,949,149.00	199,825.53	13,309.80	3,962,284.33
Supervisors					
Chen Shuofan (from 23 October to 31 December)					
Jin Xuejian (from 23 October to 31 December)					
Chen Shu	95,625.00				95,625.00
Zhu Weibin (from 23 October to 31 December)	22,500.00				22,500.00
Fu Xiaosi (from 1 January to 23 October)	73,125.00				73,125.00
Zhang Qingzhen (from 23 October to 31 December)					
Li Kai (from 23 October to 31 December)		83,315.39	13,642.18	8,493.12	105,450.69
Mai Rongzhi (from 1 January to 23 October)		77,940.00	10,126.88	2,661.96	90,728.84
Zhang Shan (from 1 January to 23 October)		381,127.71	54,183.52	2,661.96	437,973.19
Sub-total of Supervisors	191,250.00	542,383.10	77,952.58	13,817.04	825,402.72
Total	991,250.00	3,491,532.10	277,778.11	27,126.84	4,787,687.05

Note: There is no discretionary bonus distributed to Directors and Supervisors in the current or prior year. Some of the directors are appointed by CSSC and their remuneration is paid by other companies.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

2. Five highest paid individuals

Of the five highest paid individuals for the year, 2 are Directors, 3 are senior management of the subsidiaries (last year: 2 Directors, 3 are senior management of the Company and subsidiaries). The remuneration of Directors and Supervisors are set out in above "Remunerations of Directors and Supervisors". The remuneration paid to the other 3 individuals is as follows:

Item	Amount for the year	Amount for last year
Salaries, subsidies, allowances and bonuses	2,383,994.60	2,826,668.00
Social insurance and housing fund	213,761.01	197,380.30
Pension	330,013.68	7,985.88
Total	2,927,769.29	3,032,034.18

Band of remuneration:

Item	Amount for the year	Amount for last year
Up to HK\$1,000,000		
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000		
HK\$2,000,001 to HK\$2,500,000		

Note: There were no discretionary bonuses paid to the five highest paid individual in the current or prior year.

3. During the track record period, no Director had waived or agreed to waive any remuneration. During the track record period, no emoluments were paid by the Company to any of the Directors, supervisors or five highest-paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

4. Remuneration of key management

The remuneration of key management, including those paid or payable to Directors, Supervisors and senior management, is as follows:

Item	Amount for the year	Amount for last year
Salaries, subsidies, allowances and bonuses	5,190,363.13	5,837,852.10
Social insurance and housing fund	379,037.90	404,157.69
Pension	734,577.06	32,450.76
Total	6,303,978.09	6,274,460.55

(viii) Amount due from Directors/affiliates of Directors

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

XI. SHARE-BASED PAYMENTS

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

XII. COMMITMENTS AND CONTINGENCIES

(1) Significant commitments

1. Pledge of assets

As at the end of the year, no other assets of the Group were pledged.

2. Undue guarantees and letter of credit

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

Type of letters of guarantee	RMB	USD	EUR
Letters of performance guarantee	334,783,290.59	14,384,250.00	
Letters of advancement payment guarantee	104,988,051.40	265,894,200.00	
Letters of warranty guarantee	21,499,460.00		355,916.31
Letters of customs duties guarantee	82,822,000.00		
Letter of other non-financing guarantee	565,056.00		
Total	544,657,857.99	280,278,450.00	355,916.31

As at the end of the year, the Group's issued but undue letters of credit amounted to RMB20,735,900.00, US\$10,114,592.56 and EUR348,333.60.

3. Outstanding foreign exchange option transactions

The Group attaches great importance to the research of exchange risk management policies and strategies. To prevent exchange rate risks, the Group entered into forward exchange contracts (forward exchange settlement), foreign exchange swaps, foreign exchange options trading portfolio contracts and etc. At the end of the year, there were a total of 122 undelivered forward settlements with an amount of US\$1,291.7700 million, which the longest delivery period is up to 25 October 2026. There was 1 outstanding swap with an amount of US\$40 million and a delivery period up to 8 June 2022. There were 69 undelivered option portfolios with an amount of US\$253.4050 million, which the longest delivery period is up to 23 December 2024.

4. Fulfilment of previous commitments

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(II) CONTINGENCIES

1. Pending litigations or arbitrations

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

2. External guarantees

The Group's external guarantees as of the end of the year are detailed in Note X (5) 4 Related Guarantees.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

Profit distribution

According to the resolutions on the twelfth meeting of the tenth session of the Board dated 30 March 2022, the Company intends to distribute a cash dividend of RMB1.38 (including tax) for every 10 shares to all shareholders, and the total cash dividends to be distributed will be RMB195,063,880.16 (including tax), calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2021. The remaining undistributed profit will be carried forward for distribution in subsequent years. The Company will not convert capital reserve into share capital for 2021. This profit distribution proposal is subject to approval at the 2021 annual general meeting.

XIV. OTHER SIGNIFICANT EVENTS

(I) Correction of previous errors and their effect

1. Retrospective restatement method

During the Reporting Period, there were no corrections of previous accounting errors that adopted the retrospective restatement method.

2. Future applicable method

During the Reporting Period, there were no corrections of previous accounting errors that adopted the future applicable method.

(II) Segment information

1. Basis for determination of segment report 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

2. Financial information of reportable segments

Current year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance and modification business segment	Other segments	Inter-segment elimination	Total
Operating income	12,279,877,068.95	1,316,094,780.44	9,218,448.01	951,091,532.72	-2,884,688,306.65	11,671,593,523.47
Including: Revenue from external transactions	10,039,105,607.76	1,207,205,795.19	3,263,821.58	422,018,298.94		11,671,593,523.47
Revenue from intra-segment transactions	2,240,771,461.19	108,888,985.25	5,954,626.43	529,073,233.78	-2,884,688,306.65	
Operating costs	11,326,426,902.70	1,206,130,466.97	7,084,497.29	805,844,186.36	-2,868,314,535.00	10,477,171,518.32
Costs for the period	1,059,089,168.40	96,153,780.75	1,050,345.21	49,218,935.74	-12,893,738.09	1,192,618,492.01
Total segment profit	56,227,906.65	24,641,497.19	1,066,040.01	63,460,027.27	-30,246,591.32	115,148,879.80
Total assets	35,880,595,996.34	2,015,488,610.17	6,902,289.89	15,222,451,585.11	-8,860,029,608.97	44,265,408,872.54
Total liabilities	27,208,714,472.01	1,742,829,955.24	232,016.20	2,297,681,287.30	-5,654,867,336.49	25,594,590,394.26
Capital expenses	547,343,468.55		1,050,532.50	136,397,348.28	-390,100,083.32	294,691,266.01
Impairment loss recognised during current period	131,516,563.52	3,880,803.51		552,894.81		135,950,261.84
Depreciation and amortisation expenses	264,738,234.63	17,146,586.59	214,595.27	51,352,292.21	13,844,325.57	347,296,034.27

Last year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance and modification business segment	Other segments	Inter-segment elimination	Total
Operating income	11,496,685,585.84	1,790,234,458.68	451,826,877.43	1,623,605,033.72	-3,753,891,228.97	11,608,460,726.70
Including: Revenue from external transactions	9,082,571,207.40	1,588,423,555.75	444,192,867.88	493,273,095.67		11,608,460,726.70
Revenue from intra-segment transactions	2,414,114,378.44	201,810,902.93	7,634,009.55	1,130,331,938.05	-3,753,891,228.97	
Operating costs	12,364,126,875.85	1,136,428,841.75	133,422,232.32	978,284,427.69	-3,757,476,438.35	10,854,785,939.26
Costs for the period	1,014,431,292.82	84,306,551.12	28,554,885.06	51,279,732.15	-37,390,566.24	1,141,181,894.91
Total segment profit	-250,235,322.59	19,444,353.99	4,876,946.91	1,704,068,433.00	2,173,543,250.16	3,651,697,661.47
Total assets	30,623,352,545.13	2,064,501,704.03	6,913,898.10	13,522,296,207.25	-7,279,547,081.99	38,937,517,272.52
Total liabilities	22,090,341,836.39	1,918,764,686.43	1,278,060.42	1,583,226,217.30	-4,207,235,765.75	21,386,375,034.79
Capital expenses	1,943,054,151.97	173,057.86	4,040,738.56	1,005,554,414.32	-211,394,261.83	2,741,428,100.88
Impairment loss recognised during current period	226,067,441.93	-532,712.85	389,464.56	3,079,529.49	100,000.00	229,103,723.13
Depreciation and amortisation expenses	330,612,861.24	5,437,575.07	9,393,645.40	55,108,094.27	4,996,418.73	405,548,594.71

(1) Revenue from external transactions by origin of revenue

Item	Amount for the year	Amount for last year
Revenue from external transactions derived from China	11,310,936,393.75	8,567,403,938.20
Revenue from external transactions derived from other countries	360,657,129.72	3,041,056,788.50
Total	11,671,593,523.47	11,608,460,726.70

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(2) *Non-current assets by location of assets*

Item	Ending balance	Beginning balance
Non-current assets within China (except Hong Kong)	11,352,854,899.20	10,270,517,032.94
Hong Kong	417,695,444.50	564,100,367.58
Total	11,770,550,343.70	10,834,617,400.52

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

(3) **Discontinued operations**

Item	Amount for the year	Amount for last year
I. Income from discontinued operations		729,298,017.81
Less: termination costs and operating expenses		922,411,277.25
II. Total profit from discontinued operations		-193,113,259.44
Less: income tax expenses from discontinued operations		89,723.67
III. Net profit from discontinued operations		-193,202,983.11
Including: net profit from discontinued operations attributable to the parent company		-195,874,354.97
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
Including: total net profits from discontinued operations attributable to owners of the parent company		3,193,768,956.73
V. Net amount of cash flow from discontinued operations		-761,262,135.07
Including: Net cash flows from operating activities		555,713,864.41
Net cash flows from investing activities		-806,725,248.73
Net cash flows from financing activities		-524,777,917.76

(4) **Other important transactions and matters that have an impact on investors' decision-making**

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

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

(1) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash on hand		
Bank deposits	66,939,423.22	342,958,485.77
Including: deposit in finance company	50,842,836.31	342,267,979.32
Other cash at bank and on hand	918,806,694.45	400,680,909.62
Total	985,746,117.67	743,639,395.39

Including: Total amount deposited overseas

Including: Breakdown of restricted cash at bank and on hand as below:

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	890,000,000.00	390,000,000.00
Interest income from fixed deposits	28,806,694.45	10,680,909.62
Total	918,806,694.45	400,680,909.62

(II) 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	600,411,000.00	672,125,000.00
Including: Investment in debt instruments		
Investments in equity instruments		
Entrusted wealth management	600,411,000.00	672,125,000.00
Structured deposits		
Financial assets at fair value through profit or loss		
Including: Forward exchange contracts		
Total	600,411,000.00	672,125,000.00

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

Item	Fair value at the end of the year	Fair value at the beginning of the year
Listed		
Unlisted	600,411,000.00	672,125,000.00
Total	610,411,000.00	672,125,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(3) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	16,996,834.61	768,468.86
Less: Provision for bad debts	614,775.09	230,540.66
Total	16,382,059.52	537,928.20

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	16,228,365.75		
1-2 years			
2-3 years			
3-4 years	768,468.86	614,775.09	80.00
4-5 years			
Over 5 years			
Total	16,996,834.61	614,775.09	

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year			
1-2 years			
2-3 years	768,468.86	230,540.66	30.00
3-4 years			
4-5 years			
Over 5 years			
Total	768,468.86	230,540.66	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

(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 business	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				Carrying Value
	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					
Provision for bad debts made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	16,996,834.61	100.00	614,775.09	3.62	16,382,059.52
	16,996,834.61	100.00	614,775.09	3.62	16,382,059.52
Total	16,996,834.61		614,775.09		16,382,059.52

Type	Beginning balance				Carrying Value
	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					
Provision for bad debts made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	768,468.86	100.00	230,540.66	30.00	537,928.20
	768,468.86	100.00	230,540.66	30.00	537,928.20
Total	768,468.86		230,540.66		537,928.20

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Aging portfolio	16,996,834.61	614,775.09	3.62
Total	16,996,834.61	614,775.09	

Of which, the details of the aging portfolio are as follows:

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year (inclusive)	16,228,365.75		
1-2 years			
2-3 years			
3-4 years	768,468.86	614,775.09	80.00
4-5 years			
Over 5 years			
Total	16,996,834.61	614,775.09	

4. *Movements on provision for bad debts in respect of accounts receivable*

Type	Beginning balance	Change in the year			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts in respect of accounts receivable	230,540.66	384,234.43			614,775.09
Total	230,540.66	384,234.43			614,775.09

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

Name of entity	Ending balance		
	Accounts receivable	Percentage of total accounts receivable (%)	Provision for bad debts
NO. 1 Engineering Co., Ltd. of CR11BG	16,228,365.75	95.48	
Guangzhou Municipal Engineering Testing Co., Ltd	768,468.86	4.52	614,775.09
Total	16,996,834.61	100.00	614,775.09

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

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.

(4) Prepayments

Ageing of prepayments:

Item	Ending balance		Beginning balance	
	Item	Percentage (%)	Amount	Percentage (%)
Within one year				
1-2 years			603,475.71	100.00
2-3 years				
Over 3 years				
Total			603,475.71	

(5) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable		
Other receivables	301,242.19	261,726.58
Total	301,242.19	261,726.58

Other receivables:

Name of item	Ending balance	Beginning balance
Other receivables	316,584.88	277,069.27
Less: Provision for bad debts	15,342.69	15,342.69
Total	301,242.19	261,726.58

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(1) **Breakdown by nature**

Nature of amount	Book balance as at the end of the year	Book balance as at the beginning of the year
Temporary payments receivable	248,748.00	248,748.00
Refundable deposit	19,178.36	19,178.36
Reserve funds	48,658.52	9,142.91
Total	316,584.88	277,069.27

(2) **Provision for bad debts made for other receivables**

Provision for bad debts	Stage 1 Expected credit losses for next 12 months	Stage 2 Lifetime expected credit losses (not credit impaired)	Stage 3 Lifetime expected credit losses (credit impaired)	Total
Opening balance		15,342.69		15,342.69
Opening balance in current year				
– Transfer to stage 2				
– Transfer to stage 3				
– Transfer back to stage 2				
– Transfer back to stage 1				
Provision made during the year				
Reversed during the year				
Offset during the year				
Written off during the year				
Other changes				
Ending balance		15,342.69		15,342.69

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

Name	Book balance as at the end of the year		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year	48,658.52		
1-2 years			
2-3 years	248,748.00		
3-4 years			
4-5 years			
Over 5 years			
Total	297,406.52		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

Name	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year			
1-2 years			
2-3 years			
3-4 years			
4-5 years	19,178.36	15,342.69	80.00
Over 5 years			
Total	19,178.36	15,342.69	

- (3) Disclosure based on aging

Name	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year	48,658.52		
1-2 years			
2-3 years	248,748.00		
3-4 years			
4-5 years	19,178.36	15,342.69	80.00
Over 5 years			
Total	316,584.88	15,342.69	

Name	Beginning balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year	9,142.91		
1-2 years	248,748.00		
2-3 years			
3-4 years	19,178.36	15,342.69	80.00
4-5 years			
Over 5 years			
Total	277,069.27	15,342.69	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(4) Provision for bad debts that are accrued, transferred back or collected during this year

Type	Beginning balance	Change in the year			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts for other receivables	15,342.69				15,342.69
Total	15,342.69				15,342.69

(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
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Deposit	248,748.00	2-3 years	78.57	
China Enterprise Net (Beijing) Culture Media Co., Ltd.(中企網(北京)文化傳媒有限公司)	Reserve funds	30,600.00	Within one year	9.67	
Temporary payments receivables	Temporary payments receivables	19,178.36	4-5 years	6.06	15,342.69
Guangdong Guangzhou Petroleum Branch of Sinopec Sales Co., Ltd.	Reserve funds	8,546.52	Within one year	2.70	
Beijing Ship Industry Management College	Reserve funds	3,200.00	Within one year	1.01	
Total		310,272.88		98.01	15,342.69

(6) Other receivables relating to government grants

None.

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

None.

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

None.

(9) Advance to employees receivable

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(6) Inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for inventory impairment/ Provision for contract performance costs	Carrying value	Book balance	Provision for inventory impairment/ Provision for contract performance costs	Carrying value
Contract performance cost	24,909,034.04		24,909,034.04	18,364,424.20		18,364,424.20
Total	24,909,034.04		24,909,034.04	18,364,424.20		18,364,424.20

(7) Non-current assets due within one year

Item	Ending balance	Beginning balance
Borrowing and repayment on a consolidated basis due within one year		600,293,333.34
Entrusted loans due within one year		235,245,444.46
Total		835,538,777.80

Note: Entrusted loans due within one year represented borrowings to subsidiaries.

(8) Other current assets

Item	Ending balance	Beginning balance
Value-added input tax credit	21,215,192.31	42,669,414.34
Total	21,215,192.31	42,669,414.34

(9) Long-term equity investments

1. Breakdown of long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	3,171,466,036.56		3,171,466,036.56	3,171,466,036.56		3,171,466,036.56
Investments in associates	3,180,510,659.91		3,180,510,659.91	3,167,509,541.67		3,167,509,541.67
Total	6,351,976,696.47		6,351,976,696.47	6,338,975,578.23		6,338,975,578.23

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

(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 year	Decrease for the year	Ending balance
Huangpu Wenchong	3,171,466,036.56			3,171,466,036.56
Total	3,171,466,036.56			3,171,466,036.56

(2) *Investments in associates*

Investee	Beginning balance	Changes in the year							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
GSI	3,167,509,541.67			11,387,712.43	1,146,680.52	466,945.29				3,180,510,659.91	
Total	3,167,509,541.67			11,387,712.43	1,146,680.52	466,945.29				3,180,510,659.91	

2. *Analysis of long-term equity investments*

Item	Ending balance	Beginning balance
Unlisted	6,351,976,696.47	6,338,975,578.23
Total	6,351,976,696.47	6,338,975,578.23

(10) *Investment in other equity instruments*

1. *Breakdown of investment in other equity instruments*

Item	Ending balance	Beginning balance
At fair value through other comprehensive income	5,391,698,967.64	3,847,485,064.04
Total	5,391,698,967.64	3,847,485,064.04

2. *Analysis of investments in other equity instruments*

Item	Ending balance	Beginning balance
Listed	5,391,698,967.64	3,847,485,064.04
Including: China (except Hong Kong)	5,391,698,967.64	3,847,485,064.04
Total	5,391,698,967.64	3,847,485,064.04

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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	2,533,815,767.64	5,391,698,967.64	2,857,883,200.00	989,601,864.04	3,847,485,064.04
CSSC Holdings	2,857,883,200.00	2,533,815,767.64	5,391,698,967.64	2,857,883,200.00	989,601,864.04	3,847,485,064.04
Total	2,857,883,200.00	2,533,815,767.64	5,391,698,967.64	2,857,883,200.00	989,601,864.04	3,847,485,064.04

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

Item	Dividend income recognized during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Sub-total of listed	7,612,322.06	2,533,815,767.64				
CSSC Holdings	7,612,322.06	2,533,815,767.64			Equity investments not held-for-trading	
Total	7,612,322.06	2,533,815,767.64				

(11) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Total
1. Original carrying amount		
(1) Beginning balance	157,433,262.96	157,433,262.96
(2) Increase for the year		
(3) Decrease for the year		
(4) Ending balance	157,433,262.96	157,433,262.96
2. Accumulated depreciation and amortisation		
(1) Beginning balance	8,171,781.30	8,171,781.30
(2) Increase for the year	6,537,425.04	6,537,425.04
– Provision made or amortisation	6,537,425.04	6,537,425.04
(3) Decrease for the year		
(4) Ending balance	14,709,206.34	14,709,206.34
3. Provision for impairment		
(1) Beginning balance		
(2) Increase for the year		
(3) Decrease for the year		
(4) Ending balance		
4. Carrying value		
(1) Carrying value at the end of the year	142,724,056.62	142,724,056.62
(2) Carrying value at the beginning of the year	149,261,481.66	149,261,481.66

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Other description:

- (1) The depreciation and amortization of investment properties recognized in profit and loss during the year is RMB6,537,425.04 (last year: RMB0).
- (2) The provision for impairment of investment properties made for the year is RMB0 (last year: RMB0).
- (3) Investment properties analyzed by region and ageing

Item	Ending balance	Beginning balance
Located in China	142,724,056.62	149,261,481.66
Medium term (10-50 years)	142,724,056.62	149,261,481.66
Total	142,724,056.62	149,261,481.66

2. Investment properties without property ownership certificates

As at the end of the year, included in investment properties were properties with carrying amount of RMB142,724,056.62 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 Company 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
Hull joint Workshop	77,356,218.57	In the process of obtaining ownership certificates
Component welding workshop	61,920,335.31	In the process of obtaining ownership certificates
Sanding and coating workshop	3,447,502.74	In the process of obtaining ownership certificates
Total	142,724,056.62	

(12) Fixed assets

1. Fixed assets and disposal of fixed assets

Item	Ending balance	Beginning balance
Fixed assets	4,575,092.24	229,803,957.90
Disposal of fixed assets		
Total	4,575,092.24	229,803,957.90

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

2. Fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
1. Original carrying amount					
(1) Beginning balance	240,100,181.56		560,223.08	1,269,217.13	241,929,621.77
(2) Increase for the year				219,251.34	219,251.34
– Purchase				219,251.34	219,251.34
(3) Decrease for the year	235,827,271.68				235,827,271.68
(4) Ending balance	4,272,909.88		560,223.08	1,488,468.47	6,321,601.43
2. Accumulated depreciation					
(1) Beginning balance	11,236,882.97		246,640.85	642,140.05	12,125,663.87
(2) Increase for the year	6,786,634.90		53,221.20	240,720.18	7,080,576.28
– Provision made	6,786,634.90		53,221.20	240,720.18	7,080,576.28
(3) Decrease for the year	17,459,730.96				17,459,730.96
(4) Ending balance	563,786.91		299,862.05	882,860.23	1,746,509.19
3. Provision for impairment					
(1) Beginning balance					
(2) Increase for the year					
(3) Decrease for the year					
(4) Ending balance					
4. Carrying value					
(1) Carrying value at the end of the year	3,709,122.97		260,361.03	605,608.24	4,575,092.24
(2) Carrying value at the beginning of the year	228,863,298.59		313,582.23	627,077.08	229,803,957.90

Other explanations:

The depreciation of fixed assets recognized in profit or loss during the current year is RMB7,080,576.28 (last year: RMB17,576,089.41).

Among the fixed assets added during the current year, the amount transferred from construction in progress is RMB0.

3. Buildings and structures analysed by region and term

Item	Ending balance	Beginning balance
Located in China	3,709,122.97	228,863,298.59
Medium term (10-50 years)	3,709,122.97	228,863,298.59
Total	3,709,122.97	228,863,298.59

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(13) Right-of-use assets

Item	Buildings and Structures	Total
1. Original carrying value		
(1) Beginning balance	2,730,577.09	2,730,577.09
(2) Increase for the year		
(3) Decrease for the year		
(4) Ending balance	2,730,577.09	2,730,577.09
2. Accumulated depreciation		
(1) Beginning balance	1,744,535.28	1,744,535.28
(2) Increase for the year	910,192.32	910,192.32
– Provision made	910,192.32	910,192.32
(3) Decrease for the year		
(4) Ending balance	2,654,727.60	2,654,727.60
3. Provision for impairment		
(1) Beginning balance		
(2) Increase for the year		
(3) Decrease for the year		
(4) Ending balance		
4. Carrying value		
(1) Carrying value at the end of the year	75,849.49	75,849.49
(2) Carrying value at the beginning of the year	986,041.81	986,041.81

Other explanations: The depreciation of right-of-use assets recognized in profit or loss during the current year is RMB910,192.32 (last year: RMB910,192.32).

(14) Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases	Ending balance
Renovation of Ship Building's office	374,871.51		346,035.36		28,836.15
Total	374,871.51		346,035.36		28,836.15

(15) Deferred tax assets and deferred tax liabilities

1. 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	2,533,815,767.64	633,453,941.91	989,601,864.04	247,400,466.01
Change in fair value of financial instruments held-for-trading	411,000.00	102,750.00	2,125,000.00	531,250.00
Total	2,534,226,767.64	633,556,691.91	991,726,864.04	247,931,716.01

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	630,117.78	245,883.35
Deductible tax loss	33,071,911.17	84,334,851.03
Total	33,702,028.95	84,580,734.38

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

Year	Ending balance	Beginning balance	Note
2021		51,262,939.86	
2022			
2023	20,260,970.07	20,260,970.07	
2024	12,810,941.10	12,810,941.10	
2025			
2026			
Total	33,071,911.17	84,334,851.03	

(16) Accounts payable

1. Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	18,443,145.94	3,376,470.12
Payment for projects under construction		128,518,926.14
Retention money	15,055,956.39	15,055,956.39
Other construction and labour services	426,681.76	1,573,144.68
Total	33,925,784.09	148,524,497.33

2. Ageing analysis of accounts payable as at the transaction date (including accounts payable to connected persons)

Ageing	Ending balance	Beginning balance
Within one year	16,401,344.98	19,078,260.30
1-2 years	16,597,128.22	129,446,237.03
2-3 years	927,310.89	
Over 3 years		
Total	33,925,784.09	148,524,497.33

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Of which, significant accounts payable aged over one year:

Item	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
Guangzhou Shipyard International Company Limited	16,343,425.69	15,000,000.00	Not yet due
Guangzhou Wenchuan Heavy Industrial Co. Ltd.	16,228,365.75	1,597,128.22	Not yet due
Total	32,571,791.44	16,597,128.22	

(17) Advances from customers

Item	Ending balance	Beginning balance
Rent received in advance		7,855,200.00
Total		7,855,200.00

(18) Contract liabilities

1. Contract liabilities

Item	Ending balance	Beginning balance
Electromechanical products and other contractual receivables in advance	23,764,409.51	15,419,870.53
Total	23,764,409.51	15,419,870.53

Other explanations: Included in the carrying value of contract liabilities at the beginning of the year was income recognized of RMB13,066,830.62.

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

Item	Amount of change	Reason for change
Electromechanical products and other contractual receivables in advance	8,344,538.98	There was a difference between the collection progress and the progress of revenue confirmation
Total	8,344,538.98	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(19) Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term remuneration		8,769,773.80	8,769,773.80	
Post-employment benefits – defined contribution plans		2,229,416.44	2,229,416.44	
Retirement benefits		486,476.83	486,476.83	
Total		11,485,667.07	11,485,667.07	

(2) Breakdown of short-term remuneration

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
(1) Salaries, bonuses, allowances and subsidies		7,136,602.00	7,136,602.00	
(2) Employee benefits		417,171.61	417,171.61	
(3) Social insurance contribution Including: Medical and maternity insurance contribution Work-related injury insurance contribution		302,064.97	302,064.97	
(4) Housing fund		5,053.98	5,053.98	
(5) Labour union & employee education funds		620,604.00	620,604.00	
(6) Short-term paid absence		288,277.24	288,277.24	
(7) Short-term profit sharing plan				
(8) Outsourcing labour costs and other				
Total		8,769,773.80	8,769,773.80	

(3) Defined contribution plans

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

The pension and unemployment plan contributions made by the Company during the year were as follows:

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		568,811.04	568,811.04	
Unemployment insurance contribution		41,375.40	41,375.40	
Corporate annuity payment		1,619,230.00	1,619,230.00	
Total		2,229,416.44	2,229,416.44	

Other explanations: As at the end of the year, all planned pension, unemployment insurance contributions and corporate annuity payment of the Company had been made.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(20) Taxes payable

Item	Ending balance	Beginning balance
City maintenance and construction tax		2,576.70
Property tax	9,147.36	156,387.36
Land use tax	919.92	919.92
Individual income tax	384,587.95	596,188.90
Educational surcharge		1,840.50
Other taxes	16,273.10	
Total	410,928.33	757,913.38

(21) Other payables

Item	Ending balance	Beginning balance
Interest payable		
Dividends payable	312,941.09	304,042.49
Other payables	96,627.38	139,024.77
Total	409,568.47	443,067.26

1. Dividends payable

Item	Ending balance	Beginning balance
Ordinary share dividends	312,941.09	304,042.49
Including: Dividends payable for A shares	74,989.77	66,091.17
Dividends payable for H shares	237,951.32	237,951.32
Total	312,941.09	304,042.49

2. Other payables

Item	Ending balance	Beginning balance
Payables for temporary receipts	96,627.38	139,024.77
Total	96,627.38	139,024.77

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(22) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year		600,293,333.34
Lease liabilities due within one year	86,381.44	1,009,781.05
Total	86,381.44	601,303,114.39

(23) Long term borrowings

Item	Ending balance	Beginning balance
Guaranteed borrowings		600,293,333.34
Total		600,293,333.34
The carrying amount of the above borrowings shall be repaid: Within one year		600,293,333.34
Less: Amount due within one year, as shown under current liabilities		600,293,333.34
Amount shown under non current liabilities		

(24) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment	86,646.67	1,119,988.61
Less: Unrecognized financing costs	265.23	23,826.12
Less: Lease liabilities due within one year	86,381.44	1,009,781.05
Total		86,381.44

(25) Share capital

For details, please see Note V (39) Share Capital.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(26) Capital reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	6,246,714,797.85			6,246,714,797.85
Other capital reserve	2,189,359,771.72	466,845.29		2,189,826,617.01
Total	8,436,074,569.57	466,845.29		8,436,541,414.86

Note: The increase in other capital reserves in the current year was due to the changes in the capital reserves and special reserves of associates recognized according to the shareholding ratio.

(27) Other comprehensive income

Item	Beginning balance	Amount incurred for the period before income tax	Amount for the year				Amount attributable to minority interests after tax	Ending balance
			Less: Amount Previously including in other comprehensive income and transferred to profit or loss for the period	Less: Amount Previously including in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax		
1. Other comprehensive income that may not be subsequently reclassified to profit and loss Including: Other comprehensive income that cannot be transferred to profit or loss under the equity method Change in fair value of investments in other equity instruments	738,114,305.04	1,545,360,464.12	-552,454.07	386,053,475.90	1,159,306,988.22		1,897,973,747.33	
	-4,087,092.99	1,146,560.52	-552,454.07		1,146,560.52		-2,388,078.40	
	742,201,398.03	1,544,213,903.60		386,053,475.90	1,158,160,427.70		1,900,361,825.73	
2. Other comprehensive income that may be reclassified to profit or loss								
Total other comprehensive income	738,114,305.04	1,545,360,464.12	-552,454.07	386,053,475.90	1,159,306,988.22		1,897,973,747.33	

(28) Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	533,892,516.25	6,445,322.88		540,337,839.13
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	552,474,712.68	6,445,322.88		558,920,035.56

Note: The increase in the statutory surplus reserve for the year was due to the provision of statutory surplus reserve at 10% of the net profit after making up for losses in accordance with the Articles of Association.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(29) Undistributed profit

Item	Current year	Last year
Undistributed profits as at the end of last year before adjustment	718,135,411.74	721,076,162.84
Beginning adjustment to undistributed profits (increase +, decrease-)		
Undistributed profits as at the beginning of the year after adjustment	718,135,411.74	721,076,162.84
Add: Net profit attributable to owners of the Company for the year	64,453,228.80	1,655,432,349.19
Transfer from other comprehensive income to retained earnings	-552,454.07	
Other adjustments		-1,578,580,276.76
Less: Statutory surplus reserve set aside	6,445,322.88	79,792,823.53
Dividends payable on ordinary shares	234,642,058.75	
Undistributed profits as at the end of the year	540,948,804.84	718,135,411.74

Note: The retained earnings carried forward from other comprehensive income for the year represents the internal carry forward of equity from the disposal of Chongqing Iron and Steel shares by GSI.

(30) Net current assets

Item	Ending balance	Beginning balance
Current assets	1,648,964,645.73	2,313,740,142.22
Less: Current liabilities	58,597,071.84	774,303,662.89
Net current assets	1,590,367,573.89	1,539,436,479.33

(31) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	13,540,044,144.34	12,880,627,137.37
Less: Current liabilities	58,597,071.84	774,303,662.89
Total assets less current liabilities	13,481,447,072.50	12,106,323,474.48

(32) Borrowings

Details of the borrowings of the Company are as follows:

Item	Ending balance	Beginning balance
Non-current liabilities due within one year		600,293,333.34
Total		600,293,333.34

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years		600,293,333.34
Total		600,293,333.34

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year		600,293,333.34
Total		600,293,333.34

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(33) Operating income and Operating costs

1. Information on operating income and operating costs

Item	Current year		Last year	
	Income	Cost	Income	Cost
Principal business	24,062,720.90	24,017,676.07	85,623,801.70	86,422,509.84
Other business	20,289,600.00	13,188,751.12	25,197,600.00	16,514,414.16
Total	44,352,320.90	37,206,427.19	110,821,401.70	102,936,924.00

Gross profit from principal business

Item	Current year	Last year
Income from principal business	24,062,720.90	85,623,801.70
Costs of principal business	24,017,676.07	86,422,509.84
Gross profit	45,044.83	-798,708.14

(1) Principal business — by product

Product name	Amount for the year	Amount for last year
Income from principal business		
Electromechanical products and others	24,062,720.90	85,623,801.70
Total	24,062,720.90	85,623,801.70
Costs of principal business		
Electromechanical products and others	24,017,676.07	86,422,509.84
Total	24,017,676.07	86,422,509.84

(2) Principal business — by region

Item	Amount for the year	Amount for last year
Income from principal business		
China (including Hong Kong, Macau and Taiwan)	24,062,720.90	85,623,801.70
Total	24,062,720.90	85,623,801.70
Costs of principal business		
China (including Hong Kong, Macau and Taiwan)	24,017,676.07	86,422,509.84
Total	24,017,676.07	86,422,509.84

(3) Other operating income and other operating costs

Region name	Amount for the year	Amount for last year
Income from other business		
Lease	20,289,600.00	25,197,600.00
Total	20,289,600.00	25,197,600.00
Costs of other business		
Lease	13,188,751.12	16,514,414.16
Total	13,188,751.12	16,514,414.16

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Top five customers by operating income

Customers	Relationship with the Group	Current year	Percentage of total income from principal business (%)
NO. 1 Engineering Co., Ltd. of CR11BG	Unrelated party	24,062,720.90	100.00
Total		24,062,720.90	100.00

3. Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount	Percentage of cost of principal business (%)
Guangzhou Shipyard International Company Limited	Associate of the Group	15,304,269.84	63.72
Total		15,304,269.84	63.72

(34) Taxes and surcharges

Item	Current year	Last year
Property tax	1,214,509.44	1,596,364.28
Stamp duty	179,989.90	2,509,354.30
City maintenance and construction tax	26,175.30	701,218.81
Educational surcharge	18,696.65	500,870.58
Land use tax	3,679.68	53,871.08
Vehicle and vessel usage tax	1,560.00	1,560.00
Total	1,444,610.97	5,363,239.05

(35) Selling expenses

Item	Current year	Last year
Transportation fees		272,398.68
Business expenditure		7,332.64
Total		279,731.32

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(36) Administrative expenses

Item	Current year	Last year
Employee benefits	11,485,667.07	10,281,331.41
Board meeting fee	4,759,630.72	5,036,691.53
Depreciation charge	1,326,271.41	1,805,785.90
Intermediary expense	500,397.62	689,416.17
Repairing expenses	348,301.36	511,480.44
Logistics service fees	298,964.72	280,495.44
Travelling expense	193,982.32	218,266.31
Office expense	160,668.58	176,860.22
Information management fee	159,634.48	169,303.27
Business entertainment expense	64,322.73	128,316.00
Litigation fees	23,433.96	101,330.92
Project expenses	4,289.44	235,918.56
Amortisation of intangible assets		22,516.22
Utilities expense		130,475.50
Other administrative expenses	528,246.05	537,213.39
Total	19,853,810.46	20,325,401.28

(37) Finance costs

1. Breakdown of finance costs

Item	Current year	Last year
Interest expense	6,301,151.93	13,724,497.29
Less: Interest income	29,670,564.50	36,198,104.00
Net exchange losses	644,113.52	551.68
Other expenses	62,497.17	16,559.21
Total	-22,662,801.88	-22,456,495.82

2. Breakdown of interest expenses

Item	Current year	Last year
Interest on bank borrowings and overdraft	6,277,591.04	13,665,972.23
Interest on bank borrowings due within 5 years	6,277,591.04	13,665,972.23
Other interest expenses	23,560.89	58,525.06
Total	6,301,151.93	13,724,497.29

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

3. Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	20,411,003.96	13,962,582.37
Interest income from account receivables	9,259,560.54	22,235,521.63
Total	29,670,564.50	36,198,104.00

(38) Other income

Item	Amount for the year	Amount for last year	Relating to assets/ relating to revenue
Refund of handling fee for withholding individual income tax	10,973.41	16,405.59	Relating to revenue
Subsidies for basic electricity charges of transformer capacity in large industrial enterprises		88,440.00	Relating to revenue
Total	10,973.41	104,845.59	

(39) Investment income

Item	Amount for the year	Amount for last year
Gain on long-term equity investments accounted for using equity method	11,387,712.43	10,852,184.29
Investment income from disposal of long-term equity investments		1,669,942,669.23
Investment income from disposal of financial assets held-for-trading	4,979,589.04	4,051,068.49
Investment income from holding investments of other equity instruments	7,612,322.06	
Total	23,979,623.53	1,684,845,922.01

Note: Investment income derived from listed and unlisted type of investments for the year amounted to RMB7,612,322.06 (last year: RMB0) and RMB16,367,301.47 (last year: RMB1,684,845,922.01) respectively.

(40) Gain on change in fair value

Source of gain on change in fair value	Amount for the year	Amount for last year
Financial assets held-for-trading	15,684,000.00	2,125,000.00
Total	15,684,000.00	2,125,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(41) Credit impairment loss

Item	Amount for the year	Amount for last year
Loss on bad debts of accounts receivable	-384,234.43	-224,705.56
Loss on bad debts of other receivables		-13,882.05
Total	-384,234.43	-238,587.61

Note: Negative numbers of credit impairment losses indicate accrual during current period, and positive numbers indicate reversal during current period.

(42) Loss on impairment of assets

Item	Amount for the year	Amount for last year
Loss on impairment of inventories		-2,580,564.17
Total		-2,580,564.17

Note: Negative numbers of asset impairment losses indicate accrual during current period, and positive numbers indicate reversal during current period.

(43) Gain on disposal of assets

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for current period
Gain on disposal of non-current assets	16,196,374.12	-12,675,578.87	16,196,374.12
Including: Gain on disposal of non-current assets not classified as assets held for disposal	16,196,374.12	-12,675,578.87	16,196,374.12
Including: Gain on disposal of fixed assets	16,196,374.12	-12,675,578.87	16,196,374.12
Total	16,196,374.12	-12,675,578.87	16,196,374.12

(44) Non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for current period
Others	27,718.01	46,985.38	27,718.01
Total	27,718.01	46,985.38	27,718.01

Other explanations: The amount included in non-recurring gains and losses for the year was RMB27,718.01 (last year: RMB46,985.38).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(45) Non-operating expenses

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for current period
External donations		30,000.00	
Others		7,025.01	
Total		37,025.01	

Of which: The amount included in non-recurring gains and losses for the year was RMB0 (last year: RMB37,025.01).

(46) Income tax expense

1. Breakdown of income tax expense

Item	Amount for the year	Amount for last year
Deferred income tax expense	-428,500.00	20,531,250.00
Total	-428,500.00	20,531,250.00

2. Reconciliation process between accounting profit and income tax expenses

Item	Amount
Total profit	64,024,728.80
Income tax expenses calculated at statutory/applicable tax rate	16,006,182.20
Impact of non-taxable income	-5,994,905.88
Impact of non-deductible costs, expenses and losses	43,006.92
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-10,578,841.85
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current year	96,058.61
Income tax expense	-428,500.00

(47) Depreciation and amortisation

Item	Current year	Last year
Depreciation of fixed assets	7,080,576.28	17,576,089.41
Amortization of intangible assets		22,516.22
Depreciation of right-of-use assets	910,192.32	910,192.32
Amortization of long-term prepaid expenses	346,035.36	346,035.36
Depreciation of investment properties	6,537,425.04	
Total	14,874,229.00	18,854,833.31

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

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

The profit from the sale of investment or property for the year of RMB0 (last year: RMB1,669,942,669.23).

(49) Operating rental expense

The operating rental expense during the year was RMB1,033,341.90 (last year: RMB1,515,984.51).

(50) Rental income

Operating rental income for the year is RMB20,289,600.00 (last year: RMB25,197,600.00), including rental income from land and buildings of RMB20,289,600.00 (last year: RMB25,197,600.00)

(51) Supplementary information to the income statement where expenses are classified by nature

The operating costs, selling expenses, administrative expenses, research and development expenses and finance costs, in the income statement are classified by nature as follows:

Item	Amount for the year	Amount for last year
Depreciation expenses	14,528,193.64	18,486,281.73
Employee compensation expenses	11,485,667.07	12,317,959.83
Amortisation expenses	346,035.36	368,551.58
Raw materials consumed		77,827,527.92
Fuel power fee		175,687.25
Others	30,700,341.58	14,366,048.29
Total	57,060,237.65	123,542,056.60

(52) Items in the cash flow statement

1. Other cash receipts relating to operating activities

Item	Current year	Last year
Other current account received	912,450.24	12,073,341.90
Interest income	2,284,880.54	1,354,723.91
Refund of handling fee for withholding individual income tax		
Receipt/recovery of deposit	2,300,000.00	
Government grants		104,845.59
Other non-operating income	27,718.01	1,382.00
Total	5,525,048.79	13,534,293.40

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

2. Other cash payments relating to operating activities

Item	Current year	Last year
Payment of other current accounts	4,070,687.40	60,206,211.94
Administrative expense	6,257,976.91	7,960,108.52
Reserve funds	179,991.09	363,108.47
Selling expenses		4,978.31
Bank charges	67,743.40	16,623.40
Non-operating expenses		7,025.01
Total	10,576,398.80	68,558,055.65

3. Other cash receipts relating to investing activities

Item	Current year	Last year
Collection of principal and interest on loans made and settled on a consolidated basis	606,570,924.38	413,937,916.67
Principal and interest of entrusted loan	238,421,000.00	266,348,333.34
Fixed deposits with maturity of over three months and principal and interest income of various security deposits		30,273,000.00
Income from relocation compensation		46,999,059.44
Income from land storage compensation		126,570,985.16
Total	844,991,924.38	884,129,294.61

4. Other cash payments relating to investing activities

Item	Current year	Last year
Refundable fixed deposits and restricted funds over three months	500,000,000.00	390,000,000.00
Relocation expenses		96,201,250.62
Total	500,000,000.00	486,201,250.62

5. Other cash payments relating to financing activities

Item	Amount for the period	Amount for the last period
Expenditure on lease assets	1,085,009.00	1,004,937.14
Total	1,085,009.00	1,004,937.14

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

(53) Supplementary information on cash flow statement

1. Supplementary information on cash flow statement

Supplementary information	Current year	Last year
1. Reconciliation of net profit and cash flows from operating activities		
Net profit	64,453,228.80	1,655,432,349.19
Add: Credit impairment loss	384,234.43	238,587.61
Provision for impairment of assets		2,580,564.17
Depreciation of fixed assets	13,618,001.32	17,576,089.41
Depreciation of right-to-use assets	910,192.32	910,192.32
Amortisation of intangible assets		22,516.22
Amortisation of long-term prepaid expenses	346,035.36	346,035.36
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")	-16,196,374.12	12,675,578.87
Loss on retirement of fixed assets (gain expressed with "-")	-15,684,000.00	-2,125,000.00
Loss on changes in fair value (gain expressed with "-")	-20,520,148.14	-22,999,131.71
Finance cost (gain expressed with "-")	-23,979,623.53	-1,684,845,922.01
Loss on investments (gain expressed with "-")		20,000,000.00
Decrease in deferred tax assets (increase expressed with "-")		
Increase in deferred tax liabilities (decrease expressed with "-")	-428,500.00	531,250.00
Decrease in inventories (increase expressed with "-")	-6,544,609.84	61,717,974.72
Decrease in operating receivables (gain expressed with "-")	-15,664,405.65	59,424,537.34
Increase in operating payables (decrease expressed with "-")	14,262,791.03	-142,970,897.81
Others		
Net cash flows from operating activities	-5,043,178.02	-21,485,276.32
2. Significant investing and financing activities not involving cash receipts or payments		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents		
Cash balance at the end of the year	66,939,423.22	342,958,485.77
Less: Cash balance at the beginning of the year	342,958,485.77	83,638,189.16
Add: Balance of cash equivalents at the end of the year		
Less: Balance of cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	-276,019,062.55	259,320,296.61

2. Compositions of cash and cash equivalents

Item	Ending balance	Beginning balance
I. Cash	66,939,423.22	342,958,485.77
Including: Cash on hand		
Bank deposits available for use on demand	66,939,423.22	342,958,485.77
Other cash at bank and on hand for use on demand		
II. Cash equivalents		
Including: Bond investment due in three months		
III. Cash and cash equivalents at the end of the year	66,939,423.22	342,958,485.77
Including: Cash and cash equivalents of the parent company or intra-group subsidiaries subject to restrictions on use		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

XVI. SUPPLEMENTAL INFORMATION

(1) Breakdown of non-recurring gains and losses for the year

According to the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-recurring Gains and Losses (2008) issued by China Securities Regulatory Commission, the non-recurring gains and losses of the Group for the year were as follows:

Item	Current year	Explanation
Gain or loss on disposal of non-current assets	4,667,896.61	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature	191,955.24	
Government grants included in current profit or loss (other than on-going government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions)	77,007,661.88	
Capital occupation fee received from non-financial entities included in current profit or loss		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or assets under management		
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		
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	119,714,954.46	
Reversal of the provision for impairment of receivables which are tested individually for impairment	37,622,131.34	
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	9,865,583.92	
Other gain or loss items meeting the definition of non-recurring gains or losses	1,010,537.27	
Sub-total	250,080,720.72	
Effect of income tax	-23,378,213.44	
Effect of minority interests (after tax)	-95,875,965.94	
Total	130,826,541.34	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 31 December 2021

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

Items defined as recurring gains or losses:

Item	Amount	Reason
Grant for insurance maintained for first piece (set)	33,550,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Finance interest discount	4,480,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Value added tax of self produced software refund upon collection	226,106.20	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	38,256,106.20	

Note: All the aforesaid government grants are closely relating to the normal operation of the Company, subject to national policies and granted at fixed amount and on a continuous basis, and fall under non-recurring gains on losses in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-recurring Gains and Losses.

2. Returns on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on equity (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	0.53	0.0562	0.0562
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	-0.34	-0.0364	-0.0364

XVII. APPROVAL OF FINANCIAL STATEMENTS

The financial statements was approved by the Board of the Company on 30 March 2022.

CSSC Offshore & Marine Engineering (Group) Company Limited

30 March 2022

SECTION IX FIVE-YEAR FINANCIAL SUMMARY

The Group's major accounting data for the last five years based on its audited financial statements is as follows:

Unit: Yuan Currency: RMB

Major accounting data	2021	2020	2019	2018	2017
Net profit	104,189,291.66	3,626,830,196.89	928,546,285.12	-247,415,0150.26	-45,856,889.17
Including: Net profit attributable to shareholders of the Company	79,387,401.00	3,662,334,382.03	548,320,338.54	-1,869,014,160.08	-50,507,587.08
Minority interests	24,801,890.66	-35,504,185.14	380,225,946.58	-605,135,990.18	4,650,697.91
	As at the end of 2021	As at the end of 2020	As at the end of 2019	As at the end of 2018	As at the end of 2017
Total assets	44,265,408,872.54	38,937,517,272.52	52,304,069,154.98	47,475,344,086.37	46,753,104,355.82
Total liabilities	25,594,590,394.26	21,386,375,034.79	36,756,345,467.11	33,118,933,538.30	34,433,614,505.78
Net assets	18,670,818,478.28	17,551,142,237.73	15,547,723,687.87	14,356,410,548.07	12,319,489,850.04
Including: Net assets attributable to shareholders of the Company	15,524,746,801.15	14,432,091,546.69	10,148,256,838.77	9,727,437,689.21	10,809,092,281.78
Minority interests	3,146,071,677.13	3,119,050,691.04	5,399,466,849.10	4,628,972,858.86	1,510,397,568.26