

**CSSC** 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  
**2022**

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## IMPORTANT NOTICE

- 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 Board meeting.**
- III. **BDO China Shu Lun Pan Certified Public Accountants LLP has issued standard auditors' report without qualifying opinions for the Company.**
- IV. **Chen Liping, 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 RMB0.10 (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 2022, and the total cash dividends to be distributed will be RMB14,135,063.78 (tax inclusive), representing 2.05% of the net profit attributable to shareholders of the listed company for the year. The remaining undistributed profits of the Company of RMB954,983,515.14 will be carried forward for distribution in future years. The Company did not convert capital reserve into share capital for 2022. 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. This profit distribution proposal is subject to approval at the 2022 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 other 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

DWT (deadweight tonnage)	deadweight capacity with tonne as unit
CSSC	China State Shipbuilding Corporation Limited, the controlling shareholder of the Company
China Shipbuilding Group	China Shipbuilding Group Co., Ltd., the controlling shareholder of CSSC
Company	CSSC Offshore & Marine Engineering (Group) Company Limited
Group	CSSC Offshore & Marine Engineering (Group) Company Limited and its subsidiaries
CSSC Holdings	China CSSC Holdings Limited, a listed company controlled by CSSC
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution controlled by China Shipbuilding Group
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, a 54.5371%-owned subsidiary of the Company
GSI	Guangzhou Shipyard International Company Limited, a company in which the Company owns a 41.9170% equity interest as at the end of the Reporting Period
Wenchong Shipyard	Guangzhou Wenchong Shipyard Co., Ltd, a wholly-owned subsidiary of Huangpu Wenchong
Huangchuan Ocean Engineering	Guangzhou Huangchuan Ocean Engineering Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong
Wenchuan Heavy Industrial	Guangzhou Wenchuan Heavy Industrial Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong
BDO	BDO China Shu Lun Pan Certified Public Accountants LLP
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Reporting Period or Year	for the year ended 31 December 2022
CSRC	China Securities Regulatory Commission

## 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	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China	15th 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	yuw@comec.cssc.net.cn

### III. GENERAL INFORMATION

Registered address of the Company	15th 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 "15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China"
Office address of the Company	15th 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), Securities Times(www.stcn.com), Shanghai Securities News(www.cnstock.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	–
	Office address	–
	Name of the signing representative of sponsor	–
	Period of continuous supervision	–
Financial advisor performing continuous monitoring and guidance duties during the Reporting Period	Name	–
	Office address	–
	Signing officers of financial advisor	–
	Period of continuous monitoring and guidance	–
Legal adviser appointed by the Company (domestic)	During the Reporting Period:	
	Name	Guangdong Jingguo Law Firm of China
	Office address	12/F, Guangzhou Exchange Square, 368 Dongfeng Middle Road, Guangzhou
	After the Reporting Period:	
	Name	Beijing Yingke Law Firm Guangzhou Office
	Office address	7/F to 9/F, Kaihua International Center, No.5 Xiancun Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong
Legal adviser appointed by the Company (Overseas)	During the Reporting Period:	
	Name	Herbert Smith Freehills
	Office address	23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong
	After the Reporting Period:	
	Name	DLA Piper Hong Kong
	Office address	25/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
Share registrar and transfer office	A Shares	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone
	H Shares	Hong Kong Registrars Limited
	Office address	17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

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

#### (i) Major accounting information

Unit: Yuan Currency: RMB

Major accounting information	2022	2021	Change compared to same period last year (%)	2020
Operating income	12,795,124,917.87	11,671,593,523.47	9.63	11,608,460,726.70
Operating revenue less business revenue not related to the principal operations and commercially non-substantial revenue	12,583,224,796.39	11,453,902,217.84	9.86	11,397,374,517.03
Net profit attributable to shareholders of the listed company	688,391,027.99	79,387,401.00	767.13	3,662,334,382.03
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses	-79,381,638.94	-51,439,140.34	Not applicable	-283,106,559.70
Net cash flows from operating activities	2,015,033,189.11	4,365,184,193.57	-53.84	-1,024,407,420.97
	End of 2022	End of 2021	Change compared to same period last year (%)	End of 2020
Net assets attributable to shareholders of the listed company	15,588,030,556.81	15,524,746,801.15	0.41	14,432,091,546.69
Total assets	46,479,786,644.65	44,265,408,872.54	5.00	38,937,517,272.52

## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

### (ii) Key financial indicators

Key financial indicators	Change compared to same period last year			2020
	2022	2021	(%)	
Basic earnings per share (RMB/share)	0.4870	0.0562	766.55	2.5910
Diluted earnings per share (RMB/share)	0.4870	0.0562	766.55	2.5910
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.0562	-0.0364	Not applicable	-0.2003
Weighted average return on equity (%)	4.65	0.53	Increase of 4.12 percentage points	30.74
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-0.54	-0.34	Decrease of 0.20 percentage points	-2.38

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

- During the Reporting Period, the Group continued to focus on production efficiency, steadily increased the production output, completed and delivered the products on schedule, and achieved a cumulative operating income of RMB12,795 million, representing a year-on-year increase of 9.63%.
- During the Reporting Period, the Company achieved a cumulative operating income less business revenue not related to the principal operations and commercially non-substantial revenue of RMB12,583 million, representing a year-on-year increase of 9.86%. Business revenue not related to the principal operations amounted to RMB212 million, which remained relatively stable as compared to the previous year, mainly consisting 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.
- During the Reporting Period, the Company achieved a cumulative net profit attributable to shareholders of the listed company of RMB688 million, representing a year-on-year increase of 767.13%, and cumulative earnings per share of RMB0.4870, representing a year-on-year increase of 766.55%, mainly due to the impact of the year-on-year increase in investment income from associates during the Reporting Period.
- During the Reporting Period, the Company achieved a cumulative net profit attributable to shareholders of the listed company after deduction of non-recurring gain or loss of RMB-79 million, representing a year-on-year increase in loss by RMB28 million. Basic earnings per share after deduction of non-recurring gain or loss amounted to RMB-0.0562, representing a year-on-year decrease of RMB0.0198, mainly due to the combined impacts of the following factors: (1) Net profit of the Company's holding company attributable to shareholders of the Company after deduction of non-recurring gain or loss improved during the Reporting Period. On the one hand, the shipbuilding products completed and delivered during the Reporting Period were mainly undertaken during the early period when the steel price was low and the exchange rate was high. During the construction process, factors such as exchange rate fluctuations, rising raw material prices and labor costs resulted in a decrease in revenue per ship, an increase in completion costs, and a year-on-year decline in gross profit; on the other hand, the continuous improvement of operating cash flows in recent two years and the increase in capital stock during the Reporting Period led to an increase in net interest income and expenditure, and the increase in exchange gains arising from the appreciation of the US dollar has also resulted in a significant year-on-year decrease in financial expenses; (2) During the Reporting Period, Guangzhou Shipyard International, an associate of the Company, recognized a compensation income of approximately RMB1,740 million for the second and third land parcels of Liwan Factory of Guangzhou Shipyard International. The Company recognized an investment income of approximately RMB730 million based on its shareholding ratio and defined such income as non-recurring gain or loss, resulting in an overall decrease in the Group's net profit attributable to shareholders of the listed company after deduction of non-recurring gain or loss.
- During the Reporting Period, the net cash flows from operating activities of the Company amounted to RMB2,015 million, representing a year-on-year decrease of 53.84%, mainly due to the combined impacts of the decrease in ship progress payments received during the Reporting Period arising from the uneven distribution of product payment nodes, and the year-on-year increase in materials procurement expenses arising from the successive commencement of construction of orders undertaken in the previous periods. In the past two years, the Group has received substantial orders and continued to improve its operating cash flows.
- At the end of the Reporting Period, the Company's net assets attributable to shareholders of the listed company amounted to RMB15,588 million, representing an increase of 0.41% over the beginning of the year, and the weighted average return on net assets was 4.65%, representing a year-on-year increase of 4.12 percentage points, mainly due to combined impacts of the increase in net income during the Reporting Period, the decrease in the fair value of the CSSC Holdings shares held by the Company and the cash dividends at the end of the period.
- 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.

## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

### VIII. MAJOR FINANCIAL INFORMATION FOR 2022 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	1,128,449,754.40	3,142,752,746.59	3,028,204,232.73	5,495,718,184.15
Net profit attributable to shareholders of the listed company	-12,318,793.85	31,225,530.74	4,840,673.68	664,643,617.42
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses	-32,605,115.28	34,683,624.20	25,046,397.09	-106,506,544.95
Net cash flows from operating activities	3,038,823,824.90	-1,759,355,200.59	-1,966,291,894.91	2,701,856,459.71

Description:

1. In terms of operating income: During the Reporting Period, less operating income was recognized in the first quarter as affected by factors such as the Spring Festival holiday and decrease of completed products that fulfilled performance obligations at a certain point of time and met the revenue recognition conditions; starting from the second quarter, the Company's production gradually ramped up and its operating income increased accordingly; the operating income in the fourth quarter increased significantly as compared to the first three quarters, mainly due to the seasonal impact of shipbuilding. The fourth quarter was the prime season for shipbuilding, so the output value increased significantly as compared to the first three quarters, resulting in a corresponding increase in revenue.
2. In terms of net profit: During the Reporting Period, net profit attributable to shareholders of the listed company was negative in the first quarter, mainly due to the recognition of less operating income; starting from the second quarter, net profit attributable to shareholders of the listed company began to turn positive as the operating income increased; net profit attributable to shareholders of the listed company increased substantially in the fourth quarter as compared to the first three quarters, mainly due to the impact of the increase in investment income from associates.
3. In terms of net profit after deduction of non-recurring gain or loss: During the Reporting Period, net profit attributable to shareholders of the Company after deduction of non-recurring gain or loss was negative in the first quarter, mainly due to the gross profit on products insufficient to cover the period expenses; net profit attributable to shareholders of the Company after deduction of non-recurring gain or loss turned positive in the second and third quarters, mainly due to the increasing gross profit on products recognized benefiting from the increase in revenue; net profit attributable to shareholders of the Company after deduction of non-recurring gain or loss was negative in the fourth quarter, mainly because the Company recognized a compensation income of RMB730 million for land parcels of an associate based on its shareholding ratio and defined such income as non-recurring gain or loss in the fourth quarter.
4. In terms of net cash flows from operating activities: The difference between quarters is mainly due to the impact of uneven distribution of product payment nodes and centralized procurement time points during the Reporting Period.



## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

### IX. EXTRAORDINARY ITEMS AND THEIR AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2022	Note (where applicable)	Amount for 2021	Amount for 2020
Gain or loss from disposal of non-current assets	-4,229,952.65		4,667,896.61	-13,672,719.33
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature	44,801.13		191,955.24	1,885,739.20
Government grants included in current profit or loss, except for those closely relevant to normal business of the company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standard	109,272,169.76		77,007,661.88	138,125,103.91
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
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 contingencies which are not related to the Company's normal operations	-		-	-
Gain or loss from 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	-37,130,145.86		119,714,954.46	238,754,066.99
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	-		-	-
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	5,805,565.18		9,865,583.92	40,990,968.04
Other gain or loss items meeting the definition of non-recurring gains or losses	731,440,100.20	Note	1,010,537.27	3,711,462,297.66
Less: Effect of income tax	16,410,872.58		23,378,213.44	68,055,051.66
Effect of non-controlling interests (after tax)	21,018,998.25		95,875,965.94	177,908,815.62
<b>Total</b>	<b>767,772,666.93</b>		<b>130,826,541.34</b>	<b>3,945,440,941.73</b>

Notes: Other profit or loss items that comply with the definition of non-recurring profit or loss mainly include: During the Reporting Period, Guangzhou Shipyard International, an associate of the Company, recognized a compensation income of approximately RMB1,740 million for the second and third land parcels of Liwan Factory of Guangzhou Shipyard International. The Company recognized an investment income of approximately RMB730 million based on its shareholding ratio and defined such income as non-recurring gain or loss; and items such as refund of handling fees for withholding and paying individual income taxes, additional deduction of input taxes, etc.

## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

Reasons shall be explained for the non-recurring profit or loss items defined by the Company in accordance with the definition specified in the “Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses” and for the non-recurring profit 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” defined as recurring profit or loss items.

Unit: Yuan Currency: RMB

Item	Amount	Reason
Grant for insurance maintained for first piece (set)	21,670,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Finance interest discount	5,300,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Value added tax of self produced software refund upon collection	53,982.30	Closely relating to operation, granted at fixed amount and on a continuous basis
<b>Total</b>	<b>27,023,982.30</b>	

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	3,281,028,607.57	29,872,972.39	-3,251,155,635.18	-37,130,145.86
Financial liability held-for-trading		-5,919,716.73	-5,919,716.73	
Hedging instruments	196,955,482.65	164,488,610.39	-32,466,872.26	
Hedged items	-196,955,482.65	-166,058,913.54	30,896,569.11	-8,632,473.99
Receivable financing	192,855,840.34	111,888,545.80	-80,967,294.54	
Investments in other equity instruments	5,480,001,529.79	4,911,318,677.22	-568,682,852.57	7,743,134.15
<b>Total</b>	<b>8,953,885,977.70</b>	<b>5,045,590,175.53</b>	<b>-3,908,295,802.17</b>	<b>-38,019,485.70</b>

Description:

- “Hedged items” and “Financial liability held-for-trading” are liabilities, and thus they are listed as negative figure.
- “Amount of impact on profit for the current period” includes gain or loss from change in fair value and investment income.

### I. OPERATION'S DISCUSSION AND ANALYSIS

In 2022, faced with the complex situation such as structural adjustment in the global shipbuilding market, the Company further promoted the quality and efficiency improvement, implemented the high-quality development outline and the "14th Five-Year Plan", focused on its main responsibilities and main business, gathered strength to build a strong military, and enhanced its scientific and technological innovation capability and core competitiveness. As a result, the Company made significant progress in its production and operation, and steadily improved its development quality.

**We maintained a good momentum in receiving orders.** The Company continued to develop the three major industries of "marine defense equipment", "offshore engineering equipment" and "marine scientific and technological innovation equipment", and achieved operating orders of RMB14.35 billion during the Year, exceeding the annual business plan. During the Year, the Company resolutely fulfilled its primary responsibility of building a strong military, continued to enhance its equipment supply capacity, and vigorously undertook its military missions in accordance with the national defense and military modernisation requirements. Meanwhile, the Company actively seized market opportunities, made scientific planning for taking orders for civilian products, achieved bulk take-up of feeder containers and public service vessels, and constantly optimised the structure of ship products; the Company has also achieved satisfactory results in businesses such as offshore wind power, ship repair and industrial internet.

**Our shipbuilding tasks were delivered on schedule with guaranteed quality.** Facing the favorable situation of holding full orders, the Group solidly promoted the key work in business operation and production, cost control and technological innovation, comprehensively strengthened the entire process management of research and development and design, production and manufacturing, supply chain, quality and safety, continuously deepened the core capabilities construction, and steadily enhanced the operational efficiency. During the Reporting Period, the shipbuilding cycle of main ship types of the Group was significantly shortened, while other high-end ship products were manufactured in a balanced and orderly manner. The Group successfully completed its shipbuilding tasks, achieved the operating income of RMB12.795 billion, completed and delivered 32 ships, including various types and ships of important defense equipment products. The Group also independently developed the 1,900 TEU container ships and 85,000 DWT bulk carriers, as well as intelligent unmanned system mothership "Zhuhai Cloud" (珠海雲號), the Three Gorges 2,000 ton wind power platform, steel shell pipe joints for Shenzhen-Zhongshan Bridge and other key products.

### 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 trading volume of the global new shipbuilding market declined, and the transaction prices remained high; China's shipbuilding industry has led in market share internationally. The domestic shipbuilding industry is relatively concentrated and the capacity utilization rate is on the rise.

The Group is a large-scale backbone shipbuilding enterprise under CSSC and a national core military production enterprise, its controlling subsidiary, Huangpu Wenchong, was founded in 1851, with a history of 171 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, construction machinery 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 Group 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) **Major performance drivers**

During the Reporting Period, the Group achieved operating income of RMB12.795 billion, representing a year-on-year increase of 9.63%, mainly due to the overall improvement in production efficiency and output, as well as the impact of timely delivery of completed products.

### 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, achieving bulk take-up of feeder containerships; 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 32 ships, a total of 627,500 DWT, and realised operating income of RMB12.795 billion, representing a year-on-year increase of 9.63%. The total profit was RMB700 million, representing a year-on-year increase of RMB585 million or an increase by 508.04%. Net profit attributable to the shareholders of the listed company was RMB688 million, representing a year-on-year increase of RMB609 million or an increase by 767.13%.

### (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	12,795,124,917.87	11,671,593,523.47	9.63
Operating cost	11,916,904,737.86	10,477,171,518.32	13.74
Selling expenses	108,768,268.48	131,968,833.27	-17.58
Administrative expenses	547,623,575.01	483,915,651.95	13.17
Finance expenses	-449,418,514.31	-40,736,162.84	Not applicable
R&D expenses	576,251,544.72	617,470,169.63	-6.68
Net cash flows from operating activities	2,015,033,189.11	4,365,184,193.57	-53.84
Net cash flows from investing activities	3,471,984,760.39	-3,381,941,892.10	Not applicable
Net cash flows from financing activities	121,856,764.32	-1,265,815,567.34	Not applicable
Investment income	618,382,016.39	40,205,723.66	1,438.04
Gains from changes of fair value	-23,368,731.75	101,349,211.43	-123.06
Loss on impairment of credit (loss expressed with "-")	20,637,396.96	-36,905,728.89	Not applicable
Gain from disposal of assets	-1,904,345.08	5,363,414.13	-135.51
Non-operating income	8,275,062.68	18,758,139.54	-55.89
Non-operating expenses	2,974,975.19	7,767,943.26	-61.70
Income tax expenses	-9,911,746.70	10,959,588.14	-190.44

Reason for change in operating income: mainly due to the Group's continuous focus on production efficiency, steady increase in production output, and timely delivery of completed products.

Reason for change in operating cost: due to the increase in operating income led to an increase of the operating cost accordingly.

Reason for change in selling expenses: mainly due to the impact of the year-on-year decrease in the accrued warranty fees during the Reporting Period.

Reason for change in administrative expenses: mainly due to the impact of the year-on-year increase in the employee remuneration included in the administrative expenses during the Reporting Period.

Reason for change in finance expenses: mainly due to the combined impact of the continuous improvement in operating cash flow in the recent two years which led to the increase in capital stock during the Reporting Period and thus the increase in net interest receipt; and the increase in exchange income arising from the appreciation of the US dollars during the Reporting Period.

Reason for change in R&D expenses: mainly due to the combined impact of the conclusion of some scientific research projects, and the variances in scientific research projects and cost collection during the Reporting Period.

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Reason for change in net cash flows from operating activities: mainly due to the uneven distribution of the time for collection of payment for the products. The progress payments received for ships during the Reporting Period decreased on a year-on-year basis, while the construction of previously received orders commenced in a gradual manner, resulting in the year-on-year increase in materials purchase expenditure. During the past two years, the Group has significant orders in hand, and has continuously improved its operating cash flow.

Reason for change in net cash flows from investing activities: mainly due to the impact of withdrawal of entrusted financial management products due during the Reporting Period, as well as the increase in three-month term time deposits which were reflected in the cash flow statement.

Reason for change in net cash flows from financing activities: mainly due to the impact of year-on-year increase in net borrowings from financial institutions according to production and operation requirements during the Reporting Period.

Reason for change in investment income: mainly due to the impact of RMB633 million of investment income in associates and joint ventures during the Reporting Period, representing a year-on-year increase of RMB621 million.

Reason for change in gains from changes in fair value: mainly due to the impact of the year-on-year decrease in gains from changes in carrying fair value of financial assets held-for-trading in hand during the Reporting Period.

Reason for change in loss on impairment of credit: mainly due to the impact of changes in the ageing structure of accounts receivables as at the end of the Reporting Period, with an increase in the proportion of accounts receivables aged within one year and a year-on-year decrease in the proportion of bad debt reserves accrued by the ageing analysis method.

Reason for change in gain from disposal of assets: mainly due to the impact of year-on-year decrease in gain from disposal of fixed assets during the Reporting Period.

Reason for change in non-operating income: mainly due to the impact of a larger amount of compensation for contractual breach received last year.

Reason for change in non-operating expenses: mainly due to the impact of the net expenditure on insurance claims recognised last year.

Reason for change in income tax expenses: mainly due to the impact of the year-on-year decrease in deferred income tax liabilities recognised due to the temporary difference between the book value and the taxation basis during the Reporting Period.

### Detailed explanation on major changes in business types, structure or sources of profits of the Company during the Reporting Period

During the Reporting Period, the Group recognized an investment income of RMB618 million, representing a year-on-year increase of RMB578 million, mainly due to the impact of the investment income of RMB633 million from the associates recognized by the equity method during the Reporting Period, with a year-on-year increase of RMB621 million.

#### 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	Operating income	Operating cost	Principal business by industry			
			Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year
Shipbuilding industry	12,583,224,796.39	11,763,984,038.35	6.51	9.86	13.48	Decrease of 2.98 percentage points

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### 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	7,879,946,903.05	7,279,156,144.02	7.62	-14.28	-12.77	Decrease of 1.60 percentage points
1. Bulk carriers	675,021,534.53	694,158,840.87	-2.84	269.89	432.70	Decrease of 31.43 percentage points
2. Container ships	2,336,177,056.93	2,090,255,832.53	10.53	13.79	12.18	Increase of 1.29 percentage points
3. Special ships and others	4,868,748,311.59	4,494,741,470.62	7.68	-30.01	-29.23	Decrease of 1.02 percentage points
(II) Offshore engineering products	1,075,091,736.55	964,523,063.83	10.28	202.01	172.84	Increase of 9.59 percentage points
(III) Steel structure engineering	1,534,669,498.95	1,461,735,412.47	4.75	-6.27	-0.05	Decrease of 5.93 percentage points
(IV) Maintenance and modification on ships	1,892,919,952.76	1,882,899,961.52	0.53	1,429.49	1,551.41	Decrease of 7.34 percentage points
(V) Electro-mechanical products and others	200,596,705.08	175,669,456.51	12.43	38.64	91.25	Decrease of 24.09 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)	11,272,758,976.03	10,469,045,467.78	7.13	1.62	4.14	Decrease of 2.25 percentage points
Other regions in Asia	34,414,243.40	25,743,801.37	25.19	-34.30	-29.94	Decrease of 4.66 percentage points
Europe				-100.00	-100.00	Not applicable
North America	1,070,591,175.83	1,067,426,828.87	0.30	292.39	341.21	Decrease of 11.03 percentage points
Africa	205,460,401.13	201,767,940.33	1.80	2,796.36	1,478.77	Increase of 81.96 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	12,583,224,796.39	11,763,984,038.35	6.51	9.86	13.48	Decrease of 2.98 percentage points

Note: the above sheet 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 total income from its principal business amounted to RMB12.583 billion, representing a year-on-year increase of 9.86%, mainly due to the Group's continuous focus on production efficiency, steady increase in production output, and timely delivery of completed products. The gross profit of its principal business amounted to RMB819 million, and gross profit margin was 6.51%, representing a year-on-year decrease of 2.98 percentage points, primarily because the shipbuilding products completed and delivered during the Reporting Period were mainly undertaken earlier when the steel price was low and the exchange rate was high; the fluctuation of exchange rates and the increase in raw materials prices and labour costs during the construction process resulted in the decrease in income on a per vessel basis and an increase in completion cost, leading to a year-on-year decrease in gross profit.

In terms of product mix, the proportion of income from shipbuilding and offshore engineering decreased due to increase in the proportion of income from maintenance and modification on ships business during the Reporting Period, among which: income from shipbuilding and offshore engineering businesses accounted for 71.17%, representing a year-on-year decrease of 12.19 percentage points; income from maintenance and modification on ships business accounted for 15.04%, representing a year-on-year increase of 13.96 percentage points; and the proportion of income from steel structure engineering business and electro-mechanical products and other business remained stable as compared with that for the previous year, accounting for 12.20% and 1.59%, respectively. During the Reporting Period, the income and gross profit of each segment are as follows:

1) Shipbuilding business

Income from the shipbuilding business was RMB7.880 billion, representing a year-on-year decrease of 14.28%, and the gross profit margin was 7.62%, representing a year-on-year decrease of 1.60 percentage points. The main reason for the decrease in income was that with the expansion of market demand for maintenance and modification, the Group gradually expanded the scale of its maintenance and modification business during the Reporting Period, and the proportion of shipbuilding business decreased accordingly. The main reason for the decrease in gross profit was that the products completed and delivered during the Reporting Period were mainly undertaken earlier when the steel price was low and the exchange rate was high, and the overall gross profit margin of these products was relatively low.

2) Offshore engineering business

Income from the offshore engineering business was RMB1.075 billion, representing a year-on-year increase of 202.01%, and the gross profit margin was 10.28%, representing a year-on-year increase of 9.59 percentage points. The main reason for the increase in income and gross profit was that with the development of the offshore wind power industry, the market demand for wind power platforms has increased slightly, and the products undertaken by the Group during the Reporting Period were in the main construction stage.

3) Steel structure engineering business

Income from steel structure engineering business was RMB1.535 billion, representing a year-on-year decrease of 6.27%, and the gross profit margin was 4.75%, representing a year-on-year decrease of 5.93 percentage points. The decrease in income and gross profit was mainly due to the decrease in both income and gross profit margin as the Shenzhen-Zhongshan Bridge Project has reached the final stage during the Reporting Period. During the Reporting Period, the business in steel structure projects related to offshore wind power has developed rapidly, leading to a year-on-year increase in the output and related income.

4) Maintenance and modification on ships business

Income from the maintenance and modification on ships business was RMB1.893 billion, representing a year-on-year increase of 1,429.49%, and the gross profit margin was 0.53%, representing a year-on-year decrease of 7.34 percentage points. The main reason for the increase in income was that with the expansion of market demand for maintenance and modification, the Group gradually expanded the scale of its maintenance and modification business during the Reporting Period. The main reason for the decrease in gross profit was that the maintenance and modification business carried out during the Reporting Period was subject to relatively significant time constraints, and the expansion of scale led to concentration of labour demand, resulting in a lower gross profit margin.



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### 5) Electro-mechanical products and other business

Income from electro-mechanical products and other business was RMB201 million, representing a year-on-year increase of 38.64%, and the gross profit margin was 12.43%, representing a year-on-year decrease of 24.09 percentage points. The increase in income was mainly due to the increase in revenue from non-ship products such as rudders; the decrease in gross profit was mainly due to the expiry of the lease income contract with higher gross profit margin, and the overall gross profit margin of the products tended to be stable.

By geographic region, during the Reporting Period, operating income from sales to the China market (including Hong Kong, Macau and Taiwan) stable as compared with the previous year, and the operating income from sales to foreign markets increased by RMB950 million, representing a year-on-year increase of 263.36%, mainly contributed by the income from sales of products to North America, of which, income from sales to other regions in Asia recorded decreases of 34.30% year-on-year, and no products were sold to Europe during the Reporting Period, but income from sales to North America and Africa recorded increases of 292.39% and 2,796.36% respectively, mainly because of the differences in terms of the remained geographical locations of customers of which the Company had orders on hand. The gross profit margin of products sold to China (including Hong Kong, Macau and Taiwan) decreased by 2.25 percentage points year-on-year to 7.13%, mainly due to a fall in gross profit of special ships and other types of ships and a low gross profit contribution from the maintenance and modification on ships business. The gross profit margin of products sold to other regions except China decreased by 11.91 percentage points year-on-year to 1.18%, mainly due to the low gross profit margin of the products sold to North America. The Group will leverage on its own advantages, act proactively and resolutely to fulfill its primary responsibility of building a strong 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.

#### (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	67.52	67.52	0	-28.5	-28.5	-
	ship	32	32	0	-13.5	-13.5	-
Steel structure engineering	Ten thousand tons	20.11	20.11	0	46.79	46.79	-

#### Description of production and sales volume

- According to the Company's production plan, the number of ships delivered in 2022 decreased on a year-on-year basis, and the products delivered were mostly feeder containerships built by the Company, so the overall deadweight tonnage of completed ships was relatively small.
- Due to the rapid development of the Group's offshore wind power related steel structure business and the expansion of its production scale, the tonnage of its products increased significantly on a year-on-year basis.

#### (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	0	83,674	Yes	-

## SECTION III REPORT OF THE BOARD

### (4) Cost analysis

Unit: RMB in ten thousand

By industry							
By industry	Cost composition	Amount of current period	Proportion of total cost this period (%)	Amount for the corresponding period of last year	Proportion of total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
Shipbuilding Industry	Direct materials	733,418.94	62.34	764,220.68	73.72	-4.03	
	Processing costs	463,958.57	39.44	299,218.33	28.86	55.06	
	Impairment loss	-20,979.11	-1.78	-26,774.77	-2.58	Not applicable	1)
By product							
By product	Cost composition	Amount of current period	Proportion of total cost this period (%)	Amount for the corresponding period of last year	Proportion of total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
Shipbuilding products	Direct materials	542,128.89	46.08	643,393.06	62.07	-15.74	
	Processing costs	195,559.02	16.62	191,967.34	18.52	1.87	
	Impairment loss	-9,772.30	-0.83	-883.22	-0.09	Not applicable	
Offshore engineering products	Direct materials	76,237.34	6.48	43,666.56	4.21	74.59	2)
	Processing costs	31,408.79	2.67	17,569.04	1.69	78.77	
	Impairment loss	-11,193.82	-0.95	-25,884.03	-2.50	Not applicable	
Steel structure engineering	Direct materials	56,169.79	4.77	73,256.12	7.07	-23.32	
	Processing costs	90,016.74	7.65	72,992.15	7.04	23.32	
	Impairment loss	-12.99	-0.00	-	-	Not applicable	
Maintenance and modification on ships	Direct materials	46,434.80	3.95	1,848.08	0.18	2,412.60	3)
	Processing costs	141,855.20	12.06	9,553.66	0.92	1,384.83	
	Impairment loss	-	-	-	-	Not applicable	
Electro-mechanical products and others	Direct materials	12,448.11	1.06	2,056.86	0.20	505.20	4)
	Processing costs	5,118.83	0.44	7,136.14	0.69	-28.27	
	Impairment loss	-	-	-7.52	-	Not applicable	
<b>Total</b>		<b>1,176,398.40</b>	<b>100.00</b>	<b>1,036,664.24</b>	<b>100.00</b>	<b>13.48</b>	

Note: The above table analyzes and fills out the cost components according to the Group's principal business by product, and the analysis is focused on the cost of principal business only.

## SECTION III REPORT OF THE BOARD

### Description on other cost analysis

- 1) The item of “impairment loss” was negative, mainly due to the asset impairment already provided was written off upon completion and sale of products that fulfilled the performance obligation at a point in time during the Reporting Period and had thus reduced the principal business costs. During the Reporting Period, the impairment provision for products under construction was RMB210 million, a year-on-year decrease of RMB58 million, mainly due to the year-on-year decrease in the impairment provision for the completed and sold products during the Reporting Period had already been provided for.
- 2) During the Reporting Period, the direct material costs of the offshore engineering product business segment amounted to RMB762 million, representing a year-on-year increase of 74.59%, and the processing cost was RMB314 million, representing a year-on-year increase of 78.77%, mainly due to the year-on-year increase in the income from each business segment and the corresponding increase in material consumption and processing costs during the Reporting Period.
- 3) During the Reporting Period, the maintenance and modification on ships business segment incurred RMB464 million in direct materials, representing a year-on-year increase of 2,412.60%, and processing costs amounted to RMB1,419 million, representing a year-on-year increase of 1,384.83%, mainly due to: on the one hand, the income of this business segment increased year-on-year during the Reporting Period, and the materials consumption and processing cost recorded a corresponding increase; on the other hand, the cost structure of products under construction in this business segment during the Reporting Period was different from that of the previous year, resulting in significant differences in materials consumption and processing cost.
- 4) During the Reporting Period, the costs of direct materials for mechanical and electrical products and other business segment were RMB124 million, representing a year-on-year increase of 505.20%, and the processing cost was RMB51 million, representing a year-on-year decrease of 28.27%, the difference of the movements in direct materials and processing costs is mainly due to the effect of the difference in the cost structure of products under construction in this business segment compared to that of the previous year.

### (5) Information on major customers and major suppliers

#### A. Information on major customers

Sales to five largest customers amounted to RMB7,697.7390 million, representing 61.18% 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: RMB in ten thousand*

No.	Customer	Sales amount	Percentage to annual total sales amount (%)
1	Customer 2	59,117.60	4.70
2	Customer 3	50,054.80	3.98
3	Customer 4	41,213.46	3.28
4	Customer 5	40,435.76	3.21

Description: The above customers are the new customers of top five customers during the Reporting Period.

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### B. Information on major suppliers

Procurement from five largest suppliers amounted to RMB5,843.6211 million, representing 49.68% of total annual procurement cost, of which procurement from related parties was RMB5,176.0025 million, representing 44.00% 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: RMB in ten thousand*

No.	Supplier	Purchase amount	Percentage to annual total purchase amount (%)
1	Customer 4	13,748.00	1.17
2	Customer 5	8,836.93	0.75

Description: The above suppliers are the new suppliers of top five suppliers during the Reporting Period.

### 3. Expenses

During the Reporting Period, the total expenses of the Group amounted to RMB783 million, representing a year-on-year decrease of 34.33%, details are as follows:

*Unit: Yuan Currency: RMB*

Item	Current period	Corresponding period of last year	Change	Change(%)
Selling expenses	108,768,268.48	131,968,833.27	-23,200,564.79	-17.58
Administrative expenses	547,623,575.01	483,915,651.95	63,707,923.06	13.17
Research and development expenses	576,251,544.72	617,470,169.63	-41,218,624.91	-6.68
Finance cost	-449,418,514.31	-40,736,162.84	-408,682,351.47	Not applicable

Description:

- (1) The cumulative selling expenses amounted to RMB109 million, representing a year-on-year decrease of 17.58%, mainly due to the impact of the year-on-year decrease in warranty charges accrued during the Reporting Period.
- (2) The cumulative administrative expenses amounted to RMB548 million, representing a year-on-year increase of 13.17%, mainly due to the impact of the year-on-year increase in employee compensation included in the administrative expenses during the Reporting Period.
- (3) The cumulative research and development expenses amounted to RMB576 million, representing a year-on-year decrease of 6.68%, mainly due to the combined impact of the completion of some scientific research projects and the differences in the attribution of scientific research projects and expenses during the Reporting Period.
- (4) The cumulative financial expenses amounted to RMB-449 million, representing a year-on-year decrease of RMB409 million, mainly due to the combined impacts of the continued improvement in operating cash flows over the past two years, the increase in the capital stock during the Reporting Period, resulting in an increase in net interest income and expenses, and the increase in exchange gains arising from the appreciation of the US dollar.

## 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	576,251,544.72
Capitalised research and development expenses for the current period	0
Total research and development expenses	576,251,544.72
Percentage of total research and development expenses over operating income (%)	4.50
Percentage of capitalised research and development expenses (%)	0

(2) Information of research and development staff

Number of research and development staff of the Company	1,180
Number of research and development staff over total number of staff (%)	15.72

#### Education background of research and development staff

Education background	Number of R&D staff
PhD candidate	12
Postgraduate	83
Undergraduate	1003
Specialties	79
High school and below	3

#### Age structure of research and development staff

Age category	Number of R&D staff
Under 30 years old (excluding 30 years old)	124
30-40 years old (including 30 years old but excluding 40 years old)	668
40-50 years old (including 40 years old but excluding 50 years old)	283
50-60 years old (including 50 years old but excluding 60 years old)	100
60 years old and above	5

(3) Explanation

During the Reporting Period, the Group continued to lead development with innovation, improve and optimise the scientific and technological innovation mechanism, focusing on product research and development, production design, manufacturing processes, scientific research management and other fields. The Group completed 525 patent applications and obtained 293 patent authorisations, actively promoting innovation capacity building, and continuously improving its science and technology level.

## SECTION III REPORT OF THE BOARD

### 5. Cash Flows

During the Reporting Period, the Group's net increase in cash and cash equivalents amounted to RMB5,653 million, representing a year-on-year increase of RMB5,955 million. The composition of cash flows from operating activities, investing activities and financing activities is detailed as follows:

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change	Change (%)
Net cash flows from operating activities	2,015,033,189.11	4,365,184,193.57	-2,350,151,004.46	-53.84
Net cash flows from investing activities	3,471,984,760.39	-3,381,941,892.10	6,853,926,652.49	Not applicable
Net cash flows from financing activities	121,856,764.32	-1,265,815,567.34	1,387,672,331.66	Not applicable

Description:

- (1) Net cash flows from operating activities amounted to RMB2,015 million, representing a year-on-year decrease of RMB2,350 million, mainly due to the combined impacts of the decrease in ship progress payments received during the Reporting Period arising from the uneven distribution of product payment nodes, and the year-on-year increase in materials procurement expenses arising from the successive commencement of construction of orders undertaken in the previous periods. In the past two years, the Group has received substantial orders and continued to improve its operating cash flows.
- (2) Net cash flows from investing activities amounted to RMB3,472 million, representing a year-on-year increase of RMB6,854 million, mainly due to the impact of the recovery of entrusted wealth management products on maturity during the Reporting Period, and the increase in time deposits due within three months, which were presented in the cash flow statement.
- (3) Net cash flows from financing activities amounted to RMB122 million, representing a year-on-year increase of RMB1,388 million, mainly due to the increase in net borrowing from financial institutions according to production and operation needs during the Reporting Period.

### (II) Explanation on significant changes in profits arising from non-principal activities

During the Reporting Period, the Group recognized an investment income of RMB618 million, representing a year-on-year increase of RMB578 million, mainly due to the impact of the investment income of RMB633 million from the associates recognized by the equity method during the Reporting Period, with a year-on-year increase of RMB621 million. GSI, an associate of the Company, recognized a compensation income of approximately RMB1,740 million for the second and third land parcels of Liwan Factory of GSI. The Company recognized an investment income of approximately RMB730 million based on its shareholding ratio and defined such income as non-recurring gain or loss.

## SECTION III REPORT OF THE BOARD

### (III) Analytical statement of assets and liabilities

#### 1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Change of amount at the end of current period compared with that of the end of last period (%)	Description
Cash in bank and on hand	14,813,771,761.29	31.87	9,560,403,363.57	21.60	54.95	Increase in net product gains during the Reporting Period and transfer of the entrusted assets under management recovered upon maturity into cash in bank and on hand.
Financial assets held-for-trading	29,872,972.39	0.06	3,281,028,607.57	7.41	-99.09	Decrease in the balance of entrusted assets under management at the end of the Reporting Period.
Accounts receivable	1,154,073,770.27	2.48	1,160,063,923.81	2.62	-0.52	
Including: notes receivable	86,019,898.33	0.19	82,331,260.05	0.19	4.48	
accounts receivable	1,068,053,871.94	2.30	1,077,732,663.76	2.43	-0.90	
Receivable financing	111,888,545.80	0.24	192,855,840.34	0.44	-41.98	Due to the expiry and settlement of reclassified notes receivable and electronic debt certificates of accounts receivables during the Reporting Period.
Prepayments	2,892,088,396.57	6.22	2,149,658,651.91	4.86	34.54	Increase in the balance of prepayments for materials and equipment at the end of the Reporting Period.
Other receivables	60,834,609.19	0.13	94,550,370.96	0.21	-35.66	Decrease in guarantee deposit balances on deposits at the end of the Reporting Period.
Inventories	4,353,610,820.41	9.37	4,922,901,059.95	11.12	-11.56	
Contract assets	2,294,261,099.29	4.94	2,542,443,559.33	5.74	-9.76	
Long-term equity investments	5,576,276,499.57	12.00	4,952,678,909.18	11.19	12.59	
Investment properties	136,186,631.58	0.29	142,724,056.62	0.32	-4.58	
Fixed assets	5,354,647,353.76	11.52	4,740,631,472.84	10.71	12.95	
Construction in progress	277,015,334.55	0.60	229,186,214.27	0.52	20.87	
Right-of-use asset	183,901,510.27	0.40	189,367,500.07	0.43	-2.89	
Short-term borrowings	2,881,008,138.92	6.20	1,914,936,125.56	4.33	50.45	Due to newly obtained current capital loans according to the needs of production and operation during the Reporting Period.
Financial liabilities held-for-trading	5,919,716.73	0.01	-	-	-	At the end of the Reporting Period, the fair value recognised on certain financial derivatives held was negative.
Contract liabilities	11,979,592,304.12	25.77	9,348,839,525.55	21.12	28.14	
Employee benefits payable	1,179,807.93	0.00	361,255.50	0.00	226.59	Increase in the yet-to-be paid labour union and employee education funds at the end of the Reporting Period.
Taxes payable	76,728,304.39	0.17	35,046,259.47	0.08	118.93	Increase in value-added tax payable after the cancellation of certain value-added tax exemption policies during the Reporting Period.
Other payables	273,196,896.59	0.59	185,245,553.74	0.42	47.48	Increase in deferred social insurance premium in accordance with the phased deferred social insurance premium policy during the Reporting Period.
Non-current liabilities due within one year	1,459,215,392.42	3.14	951,219,195.92	2.15	53.40	Increase in long-term borrowings due within one year at the end of the Reporting Period.

## SECTION III REPORT OF THE BOARD

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Change of amount at the end of current period compared with that of the end of last period (%)	Description
Long-term borrowings	2,230,247,510.00	4.80	3,189,417,299.77	7.21	-30.07	Repayment of the long-term borrowings due and increase in long-term borrowings due within one year at the end of the Reporting Period.
Lease liabilities	114,585,384.56	0.25	169,778,977.55	0.38	-32.51	Lease liabilities due within one year were reclassified to non-current liabilities due within one year at the end of the Reporting Period.

### 2. Overseas Assets

Overseas assets 1,260,927,363.57 (Unit: RMB yuan), accounted for 2.71% 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 over 3 months, interest on outstanding term deposits and monetary funds with restricted right-of-use such as letters of guarantees/letters of credits/deposit for forward exchange contracts amounting to RMB3,743,786,475.45, notes receivable pledged for forward exchange contracts amounting to RMB22,469,820.40 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.

## (IV) Analysis of industry operating information

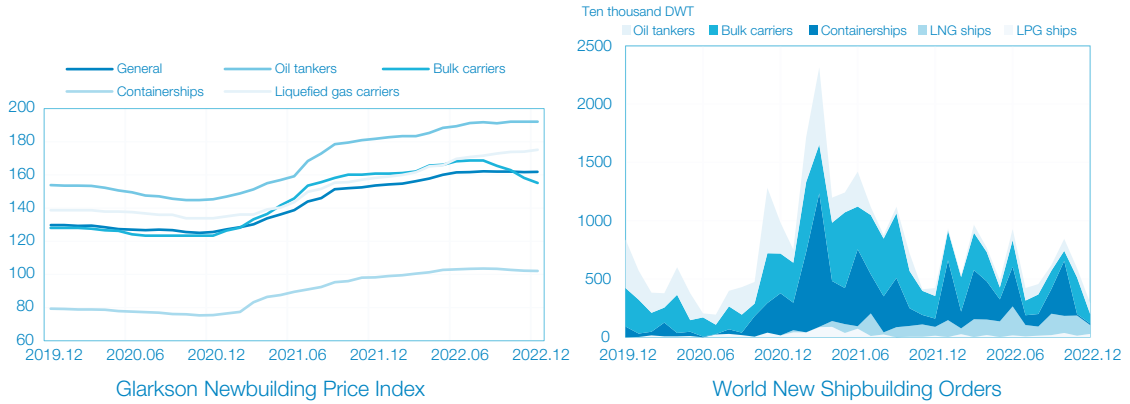
**Orders for new ships narrowed down.** In 2022, the shipping market was subject to structural adjustment, together with the large orders held by shipyards and the higher ship prices, resulting in insufficient impetus for new ship transactions. Orders for 1,484 new ships for a total of 88.68 million DWT were secured on a global basis from January to December 2022, representing a year-on-year decrease of 36.1%. From the perspective of ship types, the transaction volume of the three main ship types, namely oil tankers, bulk carriers and container ships, fell across the board, down 58.9%, 50.0% and 38.6% respectively year-on-year in terms of DWT; and the transaction volume of liquefied gas carriers increased significantly, up 72.8% year-on-year in terms of DWT, mainly due to the increase in orders for relevant new ships as driven by the long-term demand for transport capacity in the energy transportation market dominated by LNG carriers.

**The price of new ships showed differentiated trends.** In December 2022, the Clarkson New Ship Price Index closed at 162 points, up 8 points year-on-year. During the year, the price of new ships continued the rising trend as in 2021, but the price increase of new ships slowed down in the second half of the year. From the perspective of main ship types, the Clarkson New Ship Price Index of oil tankers, container ships and liquefied gas carriers was 192 points, 102 points and 175 points, up 10 points, 4 points and 17 points respectively year-on-year; and that of bulk carriers was 155 points, down 6 points year-on-year.

**China ranked first in the world in terms of receiving orders.** From January to December 2022, shipyards of China, Japan and South Korea received a total of 84.857 million DWT of new ship orders, accounting for approximately 95.7% of the global market share. The global market share of China, Japan and South Korea was 54.1%, 12.1% and 29.6%, respectively, with China ranking first in the world in terms of receiving orders. During the Reporting Period, in addition to maintaining a leading position in traditional advantageous ship types such as bulk carriers, China's shipbuilding industry surpassed South Korea in high-value-added ship types such as large container ships, Very Large Crude Carriers (VLCCs) and Pure Car and Truck Carriers (PCTCs), and achieved new breakthroughs in the field of gas carriers, with a market share of approximately 30% for large liquefied natural gas (LNG) carriers.



**The offshore engineering market experienced a decrease in transaction volume but a rise in price.** During the Reporting Period, the global offshore engineering market showed a recovery trend. A total of 125 sets/ships of offshore engineering equipment were traded worldwide in 2022, up 43.7% year-on-year; and the transaction value totaled US\$23.52 billion, up 135.1% year-on-year. In terms of market segments, 19 sets of production, storage and transportation equipment, represented by Floating Production Storage and Offloading (FPSO) vessels, were traded with a total value of approximately US\$15.47 billion; 89 sets/ships of offshore engineering operation vessels were traded with a total value of approximately US\$7.75 billion, mainly focusing on offshore wind power engineering construction vessels, including offshore wind power installation vessels, crane ships, cable ships, etc. Zero transaction was made in the mobile drilling platform shipbuilding market; the transaction volume of marine survey equipment and offshore engineering support vessels was less than 20, with a market share of less than 2% in terms of value.



Note: The above information is from China Association of the National Shipbuilding Industry.

## (V) 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 RMB5.576 billion, representing increase of RMB624 million or an increase of 12.59% from RMB4.953 billion as at the beginning of the Year, mainly due to the impact of increase in the income from investments in associates during the Reporting Period.

## SECTION III REPORT OF THE BOARD

### 1. Material equity investments

Unit: RMB100 million

Name of investee	Principal activities	Whether the subjects are mainly engaged in investment business	Form of investment	Investment amount	Percentage of shareholding	Whether or not the consolidation	Statement subjects (if applicable)	Source of funding	Partner(s) (if applicable)	Period of investment (if any)	Progress of as of the date of balance sheet	Expected return (if any)	Effect of profit or loss for the current period	Involvement in lawsuit	Date of disclosure (if any)	Disclosure index (if any)
Guangxi Wenchuan Heavy Industrial Co., Ltd.	Structures manufacturing of offshore wind power and ocean engineering	Yes	Newly established	3	71.4%	Yes	-	Self-financed	CSSC Guangxi Ships and Maritime Engineering Co., Ltd., Guangxi Qinzhou Linhai Industrial Investment Group Co., Ltd.	-	As of 31 December, 2022, the amount of contribution to it by Wenchuan Heavy Industrial was RMB714.0 thousand.	-	-	No	2022.8.31	For details, please refer to the "Announcement on the Investment for Establishment of Subsidiary by the Controlling Shareholder and Related Party Transaction" published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Company on 30 August 2022
Total	/	/	/	3	/	/	/	/	/	/	/	/	/	/	/	/

### 2. Financial assets measured at fair value

Unit: RMB in ten thousand

Category of assets	Opening number	Gain or loss from change in fair value for the current period	Cumulative fair value change accounted for in equity	Impairment accrued for the current period	Amount purchased for the current period	Amount sold/ redeemed for the current period	Other changes	Ending number
Shares	545,311.47	-157.67	198,390.50			248.47		488,346.11
Derivatives	17,850.42	-3,883.70					-11,757.10	2,209.62
Others								
Including: Entrusted wealth management	310,066.10	1,704.50				310,000.00	-1,770.60	
Receivable financing	19,285.58			3.37		8,093.36		11,188.85
Investments in other equity instruments of unlisted companies	2,875.03		982.98					2,814.44
Total	895,388.60	-2,336.87	199,373.48	3.37		318,341.83	-13,527.70	504,559.02

## SECTION III REPORT OF THE BOARD

### Equity Investment

Unit: RMB in ten thousand

Type of security	Stock code	Abbreviation of stock name	Initial investment cost	Source of funding	Opening carrying value	Gain or loss from change in fair value for the current period	Cumulative fair value change accounted for in equity	Amount purchased for the current period	Amount sold for the current period	Investment gain or loss for the current period	Ending carrying value	Accounting accounts
Shares	600150	CSSC	285,788.32	Equity exchange	539,169.90		198,790.36			652.48	484,578.68	Investments in other equity instruments
Shares	601328	Bank of Communications	115.55	Self-owned funds	251.82		132.92		248.47	19.39	-	Investments in other equity instruments
Shares	HK00206	CMIC Ocean Holding	4,271.54	Debt exchange	5,703.41		-532.78				3,738.76	Investments in other equity instruments
Shares	HK00620	DTXS	230.73	Debt exchange	186.34	-157.67					28.67	Financial assets held-for-trading
Total	/	/	290,406.14	/	545,311.47	-157.67	198,390.50	0.00	248.47	671.87	488,346.11	/

### Derivatives Investment

The 12th meeting of the 10th session of the Board of Directors and the 2021 Annual General Meeting of the Company have considered and approved the “Proposal on Conducting Foreign Exchange Derivatives Trading with Banks in 2022”, agreeing that the Company and its subsidiaries shall conduct foreign exchange derivative trading business with banks, with a balance of foreign exchange derivatives of no more than US\$3.28 billion at any time point, valid from 1 January 2022 until the 2022 Annual General Meeting makes a new resolution or modifies the resolution. For details of the above content, please refer to the “Announcement of COMEC on Conducting Foreign Exchange Derivative Trading Business in 2022” (Announcement No.: Interim 2022-009) and “Announcement on the Resolutions of the 2021 Annual General Meeting of COMEC” (Announcement No.: Interim 2022-017) published by the Company on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) dated 30 March 2022 and 19 May 2022 respectively.

As at 31 December 2022, the balance of foreign exchange derivative trading business conducted by the Company and its subsidiaries totaled to US\$1,658 million (equivalent to RMB11,373 million according to the agreed delivery rate, execution rate or transaction rate agreed at the time of trading). The balance of foreign exchange derivatives of the Company and its subsidiaries at any time point in 2022 did not exceed the amount authorized by the annual general meeting for the Company’s foreign exchange derivative transactions in 2022.

The Company and its subsidiaries conducted corresponding accounting and presentation of foreign exchange derivative trading business in accordance with relevant regulations and guidelines of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting”, “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments” and “Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement”, which were reflected in relevant items of the Company’s balance sheet and income statement.

The Company’s foreign exchange derivative trading business is closely related to its daily operating needs and a measure taken by the Company to hedge against the risk of exchange rate fluctuations. It is carried out for the purpose of hedging without engaging in speculation and arbitrage transactions solely for the purpose of making profit, which is conducive to enhancing the soundness of the Company’s operation. The Company has formulated risk management measures for conducting foreign exchange derivative trading business in terms of management system, product selection, counterparty management, dynamic supervision and management, etc. The Company closely monitors the exchange rate trends and assesses the risks associated with the invested foreign exchange derivatives in a timely manner, and will activate the emergency mechanism to deal with the situation properly in case of any significant changes in the market.

## SECTION III REPORT OF THE BOARD

### (VI) Analysis of major subsidiaries and associates

#### 1. Analysis of direct subsidiaries and associates

Unit: RMB in ten thousand

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	361,918.32	54.5371	3,229,004.22	683,164.12	18,640.48
Guangzhou Shipyard International Company Limited	Metal shipbuilding; ship design; professional design services; shipbuilding; fabrication of metal structures; etc.	979,802.46	41.9170	3,456,919.33	979,640.14	157,057.48
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	142,017.85	100	577,055.36	210,722.99	-10,425.86
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	233,753.98	-17,867.79	2,324.95
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	21,000	100	213,300.27	35,361.15	3,142.74
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	60	730.11	726.79	59.76
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	755.22	519.75	-200.86
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	3,973.09	593.06	71.54
WAH LOONG INTERNATIONAL MARINE LIMITED	Ship leasing	HK\$1 million	99	57,666.61	5,569.12	245.66
WAH SHUN INTERNATIONAL MARINE LIMITED	Ship leasing	HK\$1 million	99	340.98	340.98	-282.76
CSSC Industrial Internet Co., Ltd.	Information transmission, software and information technology services	5,000	100	3,216.01	1,925.76	375.31
Huacheng (Tianjin) Ship Leasing Co., Ltd.	Ship leasing	5	100	86,002.83	-1,798.62	-1,113.54
Huaxin (Tianjin) Ship Leasing Co., Ltd.	Ship leasing	5	100	45,733.12	5.11	-0.05
Wan Xiang International Marine Limited	Ship leasing	HK\$10,000	100	0.35	-1.06	-1.36
Wan Sheng International Marine Limited	Ship leasing	HK\$10,000	100	54,377.93	1,674.32	1,603.53
Wan Yu International Marine Limited	Ship leasing	HK\$10,000	100	0.35	-1.06	-1.36
Wan Rui International Marine Limited	Ship leasing	HK\$10,000	100	0.35	-1.06	-1.36
Wan Xing International Marine Limited	Ship leasing	HK\$10,000	100	13,706.19	-4.02	-4.20
CSSC (Guangzhou) New Energy Co., Ltd.	Production of clean energy	1,800	61.88	119.21	110.07	-20.39
Guangxi Wenchuan Heavy Industrial Co., Ltd.	Structures manufacturing of offshore wind power and Ocean Engineering	42,000	71.4	5,136.08	68.69	-31.31

#### Description:

During the Reporting Period, Wenchuan Heavy Industrial, a holding company of the Company, co-invested with CSSC Guangxi Ships and Maritime Engineering Co., Ltd. and Guangxi Qinzhou Linhai Industrial Investment Group Co., Ltd. in establishing Guangxi Wenchuan Heavy Industrial Co., Ltd. to jointly develop offshore wind power related businesses. As of now, the construction of the southern wing (Phase I) project of the offshore wind power equipment industry has been initiated.

## SECTION III REPORT OF THE BOARD

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

*Unit: RMB in ten thousand*

Name of entity	Income from principal business	Profit from principal business	Net profit
CSSC Huangpu Wenchong Shipbuilding Company Limited	1,156,873.94	49,248.70	18,640.48
Guangzhou Wenchong Shipyard Co., Ltd.	186,433.55	953.75	-10,425.86
Guangzhou Shipyard International Company Limited	1,309,668.15	128,295.95	157,057.48

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

*Unit: RMB in ten thousand*

Name of entity	Net profit for the current period	Net profit for the same period last year	Change (%)
CSSC Huangpu Wenchong Shipbuilding Company Limited	18,640.48	-7,085.23	Not applicable
Guangzhou Wenchong Shipyard Co., Ltd.	-10,425.86	5,354.45	Not applicable
Guangzhou Shipyard International Company Limited	157,057.48	2,553.45	6,050.80

Description of changes in net profit:

- (1) During the Reporting Period, Huangpu Wenchong achieved a net profit of RMB186 million, representing a year-on-year increase of RMB257 million, mainly due to the combined impacts of the continued improvement in operating cash flows over the past two years, the increase in the capital stock during the Reporting Period, resulting in an increase in net interest income and expenses, as well as the increase in exchange gains arising from the appreciation of the US dollar, and the significant year-on-year decrease in financial expenses.
- (2) During the Reporting Period, Wenchong Shipyard achieved a net profit of RMB-104 million, representing a year-on-year decrease of RMB158 million, mainly because the gross profit margin of certain products, which were delivered and whose income was recognized during the Reporting Period, was relatively low and insufficient to cover the period expenses.
- (3) During the Reporting Period, GSI achieved a net profit of RMB1,571 million, representing a year-on-year increase of RMB1,545 million, mainly because it recognized a compensation income of approximately RMB1,740 million for the second and third land parcels of Liwan Factory of GSI during the Reporting Period.

**(VII) Liquidity, financial resources and treasury policies**

The main objectives of the Group's capital management are to ensure the Group's ability to continue as a going concern so as to continuously provide returns to shareholders and other stakeholders; and to price the products and services according to the risk level so as to provide adequate returns to shareholders. The Group actively and regularly reviews and manages its capital structure and makes adjustments taking into account changes in the economic environment, future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and expected strategic investments. Details of the Group's total bank borrowings and cash in bank and on hand (including bank deposits and cash on hand, etc.) at the end of the Reporting Period are set out in the notes to the financial statements.

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

#### (I) INDUSTRY LANDSCAPE AND TRENDS

**The total demand in the new shipbuilding market further drops.** Influenced by factors such as the weakening global macroeconomic situation, the effectiveness of maritime rules and regulations, the limited shipping space resources in the shipbuilding industry and the high ship prices, the transaction volume of global orders for new ships is expected to reach approximately 71 million DWT in 2023, representing a year-on-year decrease of about 20%. Feeder containerships are facing centralized delivery, and the heat for placing orders continues to fall, but the demand for low-carbon and zero-carbon ships will continue to increase.

**The offshore engineering market tends to be improving as driven by high oil prices.** Influenced by factors like the Russia-Ukraine conflict, international oil prices have reached a high level, oil and gas companies have increased investment, and offshore exploration and development activities have significantly resumed. The total global demand for new construction of offshore engineering equipment is expected to reach US\$26 billion in 2023, representing a year-on-year increase of approximately 10%. From the perspective of equipment types, the demand for offshore engineering ships will continue to rise, certain new orders will be generated in the field of drilling platforms, and breeding ships are expected to become a new hot spot.

**The application industry is still in the policy window period and the golden development period.** China is vigorously developing strategic emerging industries such as new energy, new materials, green and environmental protection, and intelligent manufacturing. In the future, the market development logic driven by the energy structure reform will become increasingly distinct. The offshore wind power business will have a broad prospect, while the new infrastructure fields such as industrial Internet will also face huge development opportunities. Due to the decline of wind turbine prices and the launch of new plans, offshore wind power will enter a rapid development period and continue to develop towards large-scale, deep-sea and floating type wind turbines. The “Wind Power+” diversified development will also provide new driving forces for the marine economy.

Note: The above information is from China Association of the National Shipbuilding Industry.

#### (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) 2023 BUSINESS PLAN

In 2022, the Company recorded an operating income of RMB12.795 billion, completed 109.36% of the annual target; and secured orders with contract value of RMB14.35 billion, which was 125% of the annual target.

In 2023, the Company plans to realize operating income of RMB13.8 billion and to secure orders with contract value of RMB16.2 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 2023 business plan.

The business objectives above do not represent the profit forecast of the Group for 2023, nor do they constitute undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investment risks.

### (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*

As a result of global economy, shipping trade, 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 fluctuations in the prices of raw materials such as steel coupled with the increase in labour costs, may 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 2022.

### 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.

## SECTION III REPORT OF THE BOARD

### 5. Relationships with employees, customers and suppliers

During the Reporting Period, the relationships between the Group and its employees, customers and suppliers are set out in the Environmental, Social and Governance Report for 2022 published by the Company on 26 April 2023, which forms part of this Report of the Board.

### 6. Auditors

The Company's auditors, ShineWing Certified Public Accountants (Special General Partnership), retired as the Company's financial report auditors at the annual general meeting of 2018 of the Company and WUYIGE Certified Public Accountants was elected and resolved as the Company's financial report auditors by shareholders until the annual general meeting of 2020 of the Company, at which BDO China Shu Lun Pan Certified Public Accountants LLP was elected and resolved as the Company's financial report auditors by shareholders.

Save as disclosed above, there has been no change in the Company's auditors during the last three years.

### 7. Events after the Reporting Period

As at the date of the Report, the Group had no significant events after the Reporting Period which need to be disclosed.

### 8. 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.



### I. INFORMATION ON CORPORATE GOVERNANCE

#### (I) Corporate Culture, Mission and Objectives

##### *Corporate Culture*

The core of our corporate culture is “innovation, efficiency, cooperation and win-win”, among which, “innovation” means the Company insists on innovation-driven development focusing on key tasks, and constantly creates a new situation; “efficiency” means the Company achieves the goal of high quality and high efficiency through the unity and collaboration of all the employees and innovative development; “collaboration” means all employees of the Company collaborate to form a resultant force around the Company’s strategic positioning and based on their positions; and “win-win” means insisting on people-oriented, sharing development achievements to achieve the common growth of employees and the Company.

##### *Corporate Mission*

The corporate mission of the Company is to fulfill the duty of strengthening the military and serving the nation, support the construction of a maritime power, and achieve the value creation as a central enterprise.

The Company fulfills the duty of strengthening the military and serving the nation by making the development of the military equipment and the military industry as a major political responsibility and the primary mission, and provides impetus and guarantee for the construction of a first-class military central enterprise group by making full use of the Company’s capital market status as a listed company in Shanghai and Hong Kong.

The Company supports the construction of a maritime power by giving full play to its role and advantages as an A+H listed central enterprise, and vigorously promotes the progress of the construction of a maritime power by relying on national regional strategies such as the construction of Guangdong, Hong Kong, Macao and the Greater Bay Area.

The Company is committed to achieving the value creation as a central enterprise, continues to strengthen its core competitiveness, mainly provides capital and innovation strength for the development of the Group, serves the Group’s high-quality development with dual drivers, and promote the value creation of central enterprises.

##### *Strategic Objectives*

The strategic objectives of the Company are to build high-quality marine equipment, strengthen the military and serve the nation, and become a world-class listed marine equipment company with with reasonable industrial structure, leading core technology, excellent quality and service and strong international competitiveness by focusing on the marine industry and developing harmoniously.

Adhering to the development philosophy of “innovation, coordination, green, openness and sharing”, the Company actively responds to the Group’s high quality development strategy, builds up reasonable industrial layouts, 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, capital-driven 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.

#### (II) Corporate governance

The Company always strictly conforms to the Company Law of the PRC (the “Company Law”) and the Securities Law of the PRC (the “Securities Law”), relevant regulations issued by the CSRC 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 as the corporate governance code of the Company.

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.

## SECTION IV CORPORATE GOVERNANCE

### ***Board of Directors***

At the end of the Reporting Period, the Board comprises 10 directors, including 2 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 “III. Directors, Supervisors and Senior Management Officers” in this section.

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. During the Reporting Period and up to 2 August 2022, the chairman of the Company was Mr. Han Guangde, who was mainly responsible for leading the Board in the development of overall development strategies of the Company and ensuring that the Board operating effectively in performing its duties, establishing sound corporate governance system and practices and that the Board acting 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.

On 2 August 2022, Mr. Han Guangde, the former chairman of the Company, resigned from the positions of the Chairman and a Director of the tenth session of the Board of Directors, the chairman and a member of the strategy committee of the Board of Directors of the Company due to his retirement. Following his resignation, as of the date of this report, the Company has not yet elect a new Director to replace the positions of the Chairman and and the chairman and a member of the strategy committee of the board of directors of the Company of Mr. Han Guangde, the former chairman. Therefore, the requirements of principle C.2 of the CG Code and the code provisions applicable to the chairman could not be complied with. Save as aforesaid, 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. The resignation of Mr. Han Guangde did not affect the normal operation of the Board of the Company. The Company will elect a new Chairman as soon as possible in accordance with relevant laws and regulations and the Articles of Association of the Company, so as to ensure the all-round compliance with the aforesaid requirements of the CG Code and the continual and better performance of the corporate governance duties.

In 2022, the Company held a total of 6 Board meetings, including 4 on-site meetings and 2 meetings held by communication equipment, issued 2 regular reports and 42 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 2022 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.

## SECTION IV CORPORATE GOVERNANCE

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.

Each original 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 of the Stock Exchange 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 2022.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended 31 December 2022 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
Chen Zhongqian	Serving
Chen Liping	Serving
Xiang Huiming	Serving
Chen Ji	Serving
Ren Kaijiang	Serving
Gu Yuan	Serving
Yu Shiyong	Serving
Lin Bin	Serving
Nie Wei	Serving
Li Zhijian	Serving
Han Guangde	Resigned on 2 August 2022

### ***Mechanism of Independent Views***

The Board and committee structure	<ul style="list-style-type: none"> <li>As at the end of the Reporting Period, the Board consisted of ten members, including four independent non-executive Directors, which complies with the requirement of the Listing Rules of the Stock Exchange regarding independent non-executive Directors representing at least one-third of the Board and not less than three.</li> </ul>
Term of office of independent non-executive Directors	<ul style="list-style-type: none"> <li>In accordance with the Articles of Association, independent non-executive Directors shall be appointed for a term of three years and shall be eligible for re-election subject to a maximum of six years.</li> </ul>
Remuneration of independent non-executive Directors	<ul style="list-style-type: none"> <li>Independent non-executive directors receive a fixed fee for their positions in the Board and Board committees, where appropriate. The Company does not have a share-related incentive scheme.</li> </ul>
Appointment of independent non-executive Directors	<ul style="list-style-type: none"> <li>The Nomination Committee may conduct extensive searches for qualified independent non-executive Directors in the employment market, etc., collect information on the occupation, education, title, detailed work experience and all part-time positions of the candidates, prepare written materials, and convene a meeting of the Nomination Committee to examine the qualifications of the candidates in accordance with the terms of their appointment.</li> <li>In assessing the suitability of candidates, the Nomination Committee will review the biographical details of the candidates concerned (including their qualifications and available time commitment), taking into account the composition of the Board, the skills and experience of the directors, the selection criteria approved by the Board and the factors set out in the Board Diversity Policy.</li> </ul>
Annual review of the time commitment and independence of independent non-executive Directors	<ul style="list-style-type: none"> <li>The Nomination Committee reviews annually the time commitment of each Director to the Company's business. The minutes of the Directors during the Reporting Period are set out in the sub-section headed "V. Performance of Duties By Directors - (i) Attendance of Directors at Board meetings and general meetings" in this section.</li> <li>Independent non-executive Directors are subject to an independence assessment upon their appointment and thereafter annually and once again as appropriate.</li> </ul>
Conflict of interest management	<ul style="list-style-type: none"> <li>The internal systems of the Company set out requirements related to the avoidance of conflicts of interest, and provide guidance on actions to be taken by the Directors in relation to conflicts of interest.</li> </ul>
Professional advice	<ul style="list-style-type: none"> <li>Directors may seek advice from the Company Secretary or Office of the Board on matters related to the fulfillment of their duties and may also seek advice from external professional advisors and legal counsels at the Company's expense at any time.</li> </ul>
Evaluation of the Board performance	<ul style="list-style-type: none"> <li>The performance of the Board is evaluated annually by considering the quality and efficiency of the Board meetings.</li> </ul>

During the Reporting Period, independent Directors of the Company have strictly complied with the relevant laws, regulations, regulatory documents and the relevant provisions of the Articles of Association, actively performed their duties as independent Directors, expressed their independent opinions on important matters of the Company with their professional knowledge, fulfilled the duty of supervision and advice as independent Directors, ensured the standardized operation of the Board of the Company, and safeguarded the overall interests of the Company and the legitimate interests of Shareholders, especially the minority Shareholders. They have fulfilled their obligations of loyalty, diligence and responsibility. For details of the work of independent Directors during the year, please refer to the "2022 Work Report of Independent Directors" published by the Company on 30 March 2023.

### **Diversity of Board members**

In accordance with the requirements of the Listing Rules of the Stock Exchange, the Board has formulated and adopted the Board Diversity Policy. This policy emphasizes that the Company will, when determining the composition of the Board members, consider the diversity of Board members from various aspects. All appointments of the Board will be based on the principle of meritocracy, and candidates will be considered based on objective conditions, having due regard for the benefits of diversity of Board members, as well as factors including gender, age, cultural and educational background, professional experience, skills, knowledge and service tenure. The Company will consider its own business model and specific needs from time to time, and ultimately make decisions based on the strengths of the candidates and the contributions they can make to the Board.

Pursuant to the abovementioned policy, the Nomination Committee has reviewed the composition of the Board and management members of the Company in accordance with the requirements of the Listing Rules, taking into account:

- **Age:** Currently, the members of the Board, Supervisory Committee and senior management cover a wide range of age groups, and the diversity in age groups helps to bring diversified thinking to Board members;
- **Education background and professional knowledge:** Board members come from different educational backgrounds, covering professions such as ship engineering, water transportation engineering, precision instrument, physics, business administration, international finance, economics, accounting and law. All Directors have obtained master's and doctoral student's degrees, professor's qualifications and other professional recognition qualifications, including researcher-level senior engineer, researcher-level senior accountant, senior economist, senior certificated accountant in Australia, American Certified Management Accountant, senior accountant, senior management accountant, etc. This also reflects that the marine defense equipment industry, ship and offshore engineering equipment Industry, marine science and technology innovation and application industry and other businesses of the Group involve various different professional fields. The educational backgrounds of Board members help to ensure the professionalism of the Group's businesses; and
- **Industry experience:** Board members have relatively sufficient industry experience in their respective fields, including involvement in various domestic businesses in terms of project operations such as ship engineering, defense equipment configuration, heavy industry, financial management and others, bringing foresight to the Company's business development as well as on a macro perspective.

Based on the above, the Directors believe that the Company has complied with the requirements of the Board Diversity Policy and the Listing Rules of the Stock Exchange for diversity of Board members in terms of gender, age, educational background, industry experience, region, length of service and other aspects. The Board possesses skills, experience and diversified backgrounds that are relevant to the strategy, governance and business of the Group, and each member has his own strengths and cooperates appropriately, which enable the Board to achieve the effectiveness and improve the efficiency. The information about the composition of the current Board members (including Directors' skills and experience) is set out in the sub-section headed "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" in this section.

The Company is currently actively preparing for the re-election of the Board in the coming year, and will introduce female members to participate in the composition of the next session of the Board.

## SECTION IV CORPORATE GOVERNANCE

The Group is committed to creating a diversified and inclusive corporate culture, establishing a fair and just employment mechanism, continuously improving a scientific talent retention, promotion and development system, designing compensation, benefits and care policies that run through the full life cycle of employees' career, comprehensively ensuring the career development and workplace experience of employees, and enhancing their sense of happiness and belonging. During the Reporting Period, the Company followed the principles of "openness, equality, competition and meritocracy" to publicly recruit and cultivate employees. As at the end of the Reporting Period, the Group had a total of 7,504 employees, of which 1,150 were female employees, accounting for approximately 15% of all employees, which was due to the fact that the Group actively built 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", and the Group's businesses mainly focused on shipbuilding and offshore engineering manufacturing, which laid a relatively high demand for employees' labour and physical strength, resulting in more male employees responsible for certain types of works in the actual implementation of work. Among all employees, 2,321 (accounting for approximately 31% of all employees) fell within the age group of under 30 years old, while 4,623 (accounting for approximately 62% of all employees) fell within the age group of 30 to 50 years old. This precisely reflected the Group's active absorption of young talents and the cultivation of suitable talents in all age groups, providing promotion opportunities, and striving to continuously improve the diversity of employees, senior management and Directors of the Group in terms of personal abilities, professional backgrounds and gender. At the same time, the Group upheld the philosophy of inclusive talent, promoted workplace inclusion, created a diversified and high-quality talent echelon and built a career platform with equality. The Company treated employees fairly and equally. The Company paid attention to promoting employment for local residents, women, ethnic minorities and college students, and strove to increase employment opportunities in local communities. The Company publicly recruited to society without setting restrictions on race, gender, religious beliefs and other conditions. Based on the above, the Company believed that the diversity among employees had been achieved.

### (III) 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 2022, the Audit Committee of the Board of Directors held 4 meetings to hear the financial reports of the management, working group and accounting firm on the annual report for 2021, the financial reports for the first quarter of 2022, the first half-year of 2022, the third quarter of 2022, 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 2021 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 2022, the Nomination Committee of the Board did not hold a 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 2022, 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 2021 and the term of office of the members of the management and contractualized 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 Chen Liping and Xiang Huiming, executive Directors, and Chen Zhongqian, Chen Ji, Gu Yuan and Ren Kaijiang, non-executive Directors.

In 2022, the Strategy Committee held one meeting to consider and approve important proposals such as the Outline of the Company's High-quality Development Strategy, the 14th Five-Year Development Plan, etc., with all members attending the meeting.

## (IV) **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 new 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

### (V) 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 website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([comec.cssc.net.cn](http://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. Communication with Investors and Investor Relations

The management of the Company attaches great importance to investor relations management and therefore has established regulations and systems such as the Management Policy for the Information Disclosure and the Investor Relations Management Policy to standardize and optimize the investor relations management of the Company.

The Company has implemented the Investor Relations Management Policy, which enhances the understanding and recognition of investors and shareholders towards the Company through reasonable information disclosure and exchange. At the same time, transparent information disclosure helps to improve the level of corporate governance, maximize the overall interests of the Company, and protect the legitimate rights and interests of investors and shareholders.

The Investor Relations Management Policy is summarized as follows:

- |   |   |
|---|---|
| The purpose of Investor Relations Management      | • The Company aims to strengthen the communication with investors and potential investors by facilitating the shareholders' exercise of their rights, information disclosure, interactive communication and the disposal of demands, so as to enhance investors' understanding and acceptance of the Company and improve governance level and overall corporate value of the Company, thus achieving the goal of respecting, bringing return to and protecting investors.   |
| Basic Principles of Investor Relations Management | • The Company insists on the following principles for investor relationship management: <ol style="list-style-type: none"><li>(i) The principle of compliance: investor relations management of the Company shall be conducted on the basis of performing the information disclosure obligation and subject to relevant laws, regulations, rules and normative documents, industry norms and self-discipline rules, the Company's internal rules, and industry-wide ethics and code of conduct.</li><li>(ii) The principle of equality: in the course of investor relations management, the Company should treat all investors equally, particularly creating opportunities and facilitation for minority shareholders to participate in relevant activities.</li></ol> |



## SECTION IV CORPORATE GOVERNANCE

- (iii) The principle of proactiveness: the Company should take the initiative to promote investor relations management, receive advice and suggestions from investors, and respond to investors' requests in a timely manner.
  - (iv) The principle of honesty and commitment: in the course of investor relations management, the Company should be honest, adhering to the basics, standardize its operations, and assume responsibilities and make contribution to building a healthy and favorable market ecosystem.
  
- Main Responsibilities for Investor Relations Management

  - The Company shall bear the main responsibilities for investor relations management, which include:
    - (i) Developing a system and establishing a working mechanism for investor relations management;
    - (ii) Organizing investor relations management activities for communication with investors;
    - (iii) Making arrangement for promptly and properly reacting to investors' inquiries, complaints, suggestions and other appeals, and providing regular reports to the Board and management of the Company;
    - (iv) Managing, operating and maintaining relevant channels and platforms of investor relations management;
    - (v) Safeguarding the investors' statutory entitlement to exercise the rights as shareholders;
    - (vi) Cooperating with investor protection institutions in their safeguarding of legitimate rights and interests of investors;
    - (vii) Collecting and analyzing the information about the size, structure and changes of the Company's investors; and
    - (viii) Promoting other activities that improve investor relations.
  
- Parties within the Scope of Investor Relations Management:

  - Parties within the scope of the Company's investor relations management include the followings:
    - (i) Investors;
    - (ii) The media, including financial media and industry media; and
    - (iii) Other institutions and channels.
  
- Means and Methods of Investor Relations Management

  - The Company should promote investor relations management through multiple channels and platforms and in various manner. Communications and interacts with investors can be made through: channels such as websites of the Company and Shanghai Stock Exchange, SSE e-Interactive Platform (上證e互動平台), new media platform, hotline, facsimile, e-mail, investor education base; network infrastructure platforms, including www.investor.org.cn (中國投資者網) and those of the stock exchanges and the securities depository and clearing institutions; and by means of shareholders' meetings, investor briefings, roadshows, investor research, analyst meetings, acceptance of visit, exchange meetings, etc.. The Company should offer facilitation to investors to participate in the communication, and should identify and remove obstacles that inhibit the communication in a timely manner.

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- The Company should disclose its website and consultation hotline in its periodic report to ensure smooth external communication channels (such as telephone, fax, and e-mail). Designated personnel who have expertise in this respect should be designated to be responsible for the relevant works, friendly receive and accept inquires in real earnest, and provide feedback to investors in an effective way.
- The Company may arrange for investors, fund managers and analysts to visit the Company and have exchange meetings. The Company may communicate the corporate situation, respond to questions and take relevant opinions and suggestions through road shows, analyst meetings, etc..
- The Company should fully consider the time, venue and means of convening general meeting, and provide facilitation to shareholders, especially minority shareholders, to attend the meetings and offer adequate time for investors to speak, raise questions and communicate with the Company's directors, supervisors and senior management. General meetings should offer channels for voting online.
- The Company shall regularly summarize and release records of investor relations activities such as investor briefings, research of securities analyst and road shows under the "Company Release" (「公司發佈」) column of the SSE e-Interactive Platform.

Records of investor relations activities should include at least the followings:

- (i) Participants, time, place and format;
- (ii) Records for contents and records of specific questions and answers;
- (iii) Clarification on whether any material information involved that should be disclosed;
- (iv) Presentations used, documents and other attachments (if any) provided during the activities; and
- (v) Other contents required by the stock exchange.

During the Reporting Period, while earnestly performing statutory information disclosure obligations, the Company launched investor relation activities in various forms to provide investors with information that they were interested in, to promote the transparency of the Company's operation, and to build mutual understanding and trust. Meanwhile, the Company accepted advice provided by investors in the course of information delivery and collected feedback from investors to boost the mutually beneficial interactions between the Company and the investors.

When the Company conducts its investor relations work, the Board Office of the Company undertakes the specific responsibility for investor relations management mainly through: the investor hotline, e-mail and network interactive platform, responding to investors' inquiries in a timely manner; meeting with investors and institutions engaged in securities analysis for field research; participating in investor presentations; hosting roadshow; publishing information related to the Company's situation, information disclosure and corporate governance on the Company's website, etc.

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The Company receives inquiries from investment institutions and industry stakeholders regarding business development of the Group, industry prospects, and financing plans on a regular basis. Subject to compliance with applicable laws and regulations, the Company will strengthen communication with all parties in accordance with the methods formulated in the aforementioned Investor Relations Management Policy. In order to enhance the transparency of information disclosure of the Company, the Company will continue, subject to compliance with relevant laws and regulations, to provide relevant information on a regular basis and as reasonable as case may be. In summary, based on the multiple existing communication channels with shareholders and investors and their feedbacks, the Company believes that its communication policy with investors has been effectively implemented during the Reporting Period.

The Board is grateful to shareholders and other stakeholders for their continued support to the Group and welcomes their views as well as any inquiries they may have about the management and governance of the Company.

### **3. 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 stock exchange.

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

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### *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;
- (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 domestic (15/F Marine Tower, 137 Gexin Road, Haizhu District, Guangzhou) or Hong Kong (17/F, Far East Finance Centre, 16 Harcourt Road, 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.

#### **4. The Company's Independence from the Controlling Shareholder**

In 2022, 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 in Shanghai and Hong Kong with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors had been 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 2022 did not exceed the annual 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).

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).

## SECTION IV CORPORATE GOVERNANCE

### 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 2021	19 May 2022	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.sse.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	20 May 2022	Resolutions including the report of the Board for 2021, the report of the Supervisory Committee for 2021, the annual report for 2021 (including the financial statements for 2021), the profit distribution proposal for 2021 and the resolution on the proposed provision of guarantee by the Company and its subsidiaries for 2022, the resolution on the conduct of foreign exchange derivative transactions with banks in 2022, the resolution on the appointment of auditor for the financial report of the Company for 2022, the resolution on the amendments of the Articles of Association, the resolution on the amendments of the Rules for Proceedings of General Meetings of the Company, the resolution on the formulation of the External Donation Management System of COMEC and the amounts were considered and approved
First extraordinary general meeting of 2022	23 June 2022	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.sse.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	24 June 2022	The resolution on the waiver of the right to exercise pro rata capital contribution to Guangzhou Shipyard International Company Limited and related party transaction was considered and approved
Second extraordinary general meeting of 2022	16 December 2022	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.sse.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	17 December 2022	Resolutions including the Proposal on Signing of the 2023 Framework Agreement for Continuing Related Party Transactions between the Company and China Shipbuilding Group Co., Ltd., Proposal on Signing of the 2023 Financial Services Framework Agreement between the Company and CSSC Finance Company Limited, and Proposal on Increase in the Guarantee Amount of Subsidiaries for the Year 2022

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### Description of general meetings

During the Reporting Period, the Company held a total of three general meetings, each of which was held in strict accordance with relevant requirements of the Company Law, the Securities Law, the CSRC Rules for General Meetings of Listed Companies, the Code of Governance for Listed Companies, and the Articles of Association of the Company. Statutory procedures such as convening of meetings, notice of meetings, presiding over meetings, voting on proposals and disclosure of information were carried out according to law, and the lawyers attended and witnessed the meetings and issued the corresponding Legal Opinions. All the above proposals were considered and approved at the general meetings, and there was no case of rejection of any proposal.

### 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 (resigned during the Reporting Period)	Chairman	Male	61	2004-6-25	2022-8-2	0	0	0	-	0	Yes
Chen Zhongqian	Vice Chairman	Male	60	2013-11-25	2023-3-22	0	0	0	-	0	Yes
Chen Liping	Executive Director, General Manager	Male	56	2016-8-10	2023-5-31	0	0	0	-	137.05	No
Xiang Huiming	Executive Director	Male	57	2015-5-8	2023-5-31	0	0	0	-	202.02	No
Chen Ji	Non-executive Director	Male	56	2016-8-10	2023-5-31	0	0	0	-	0	Yes
Gu Yuan	Non-executive Director	Male	54	2020-10-23	2023-5-31	0	0	0	-	0	Yes
Ren Kajiang	Non-executive Director	Male	56	2021-12-22	2023-5-31	0	0	0	-	0	Yes
Yu Shiyou	Independent non-executive Director	Male	67	2018-2-12	2023-5-31	0	0	0	-	20	No
Lin Bin	Independent non-executive Director	Male	61	2020-10-23	2023-5-31	0	0	0	-	20	No
Nie Wei	Independent non-executive Director	Male	53	2020-10-23	2023-5-31	0	0	0	-	20	No
Li Zhijian	Independent non-executive Director	Male	53	2020-10-23	2023-5-31	0	0	0	-	20	No
Chen Shuofan	Chairman of the Supervisory Committee	Male	51	2020-10-23	2023-5-31	0	0	0	-	0	Yes
Chen Shu	External supervisor	Female	69	2019-5-28	2023-5-31	0	0	0	-	12	No
Zhu Weibin	External supervisor	Male	62	2020-10-23	2023-5-31	0	0	0	-	12	No
Zhang Qinghuan	Employee supervisor	Male	56	2020-10-23	2023-5-31	0	0	0	-	0	Yes
Li Kai	Employee supervisor	Male	43	2020-10-23	2023-5-31	0	0	0	-	76.82	No
Li Zhidong	Secretary to the Board	Male	57	2016-10-14	2023-5-31	0	0	0	-	117.48	No
Hou Zengquan	Chief financial officer	Male	53	2017-11-10	2023-5-31	0	0	0	-	86.73	No
<b>Total</b>	-	-	-	-	-	0	0	0	-	724.10	-

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Name	Main work experiences
Han Guangde (resigned during the Reporting Period)	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); 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 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 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, now retired.
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). As of the end of the Reporting Period, he served as 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, and now retired.
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), a 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); 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). He is currently chairman and party secretary of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司); director of China State Shipbuilding Corporation; and a 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 Director of the Company.

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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 Engerine 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), a director of CSSC Science &amp; Technology Co., Ltd. (中船科技股份有限公司); a director of China State Shipbuilding Industrial Holding Corporation Limited (中國船舶集團實業控股有限公司) and a Director of the Company.</p>
Ren Kaijiang	<p>Male, born in March 1967, a member of the Communist Party of China, 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 &amp; 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責任公司). 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 &amp; Technology Co., Ltd. (中船科技股份有限公司) and a 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), an independent director of Yunkang Group Limited (雲康集團有限公司) 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 of Sun Yat-sen University. He is currently a professor in the School of Business, Sun Yat-sen University, an independent director of 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>



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Name	Main work experiences
Nie Wei	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.
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), independent director of Wanlian Securities Co., Ltd. (萬聯證券股份有限公司), 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, standing committee member of the 13th session of Guangdong Provincial Committee of Chinese People's Political Consultative Conference, 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 Shuofan	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 1990. She successively served as officer and deputy director of Guangzhou Liwan Justice Bureau, lawyer at Guangdong Sino-Win Law Firm, secretary-general of Guangzhou Lawyer Association, a deputy to the 10th, 11th and 12th National People's Congress; She is currently an external director of Guangzhou Pharmaceutical Holdings Limited, an external director of Guangzhou Yuexiu Holding Limited; and 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 College Sun Yat-sen University 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 Zhujiang Brewery Group (珠江啤酒集團); 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 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 Information Co., Ltd. (佰玲數據股份有限公司) and Guangzhou Totem Information Technology Ltd. (廣州圖騰信息科技股份有限公司); and a supervisor of the Company.

## SECTION IV CORPORATE GOVERNANCE

Name	Main work experiences
Zhang Qinghuan	<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, director of the enterprise management and planning department, and assistant to general manager of CSSC Huangpu Wenchong Shipbuilding Company Limited. He is currently deputy general manager of CSSC Huangpu Wenchong Shipbuilding Company Limited, and a supervisor of the Company.</p>
Li Zhidong	<p>Male, born in April 1966, a 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, a senior accountant (a 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 graduated from Jiujiang Ship Industry School (九江船舶工業學校) in July 1989, majoring in industrial accounting and 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>

### Other explanations

Mr. Han Guangde, Chairman of the Company, resigned as the Chairman and Director of the 10th Session of the Board of the Company and the Chairman of the Strategy Committee of the Board on 2 August 2022 due to his retirement.

Mr. Chen Zhongqian, Vice Chairman of the Company, resigned as the Vice Chairman and Director of the 10th Session of the Board of the Company and a member of the Strategy Committee of the Board on 22 March 2023 due to his retirement.

## 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	2022.07
Han Guangde	Guangzhou Ruiling Industrial Development Co., Ltd.	Chairman	2020.04	2022.08
Chen Zhongqian	Guangzhou Shipyard International Company Limited	Chairman	2018.08	2023.04
Chen Zhongqian	China State Shipbuilding Corporation	Director	2020.05	2023.03
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 Shipyard International Company Limited	Chairman	2019.09	Not applicable
Gu Yuan	China State Shipbuilding Corporation Limited	Deputy general manager of the Department of Finance	2019.10	Not applicable
Gu Yuan	CSSC Science & Technology Co., Ltd.	Director	2021.06	Not applicable
Gu Yuan	China State Shipbuilding Industrial Holding Corporation Limited	Director	2022.09	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 Shuofan	Hudong Zhonghua Shipbuilding Co., Ltd.	Chairman of Supervisory Committee	2020.05	Not applicable
Chen Shuofan	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

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## 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	Nanfang College of Guangzhou	Dean	2016.05	Not applicable
Yu Shiyou	Nanfang College of Guangzhou	Deputy party secretary	2019.06	Not applicable
Yu Shiyou	Yunkang Group Limited	Independent director	2022.08	Not applicable
Lin Bin	School of Business, Sun Yat-sen University	Tutor to doctoral students and professor	1998.11	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	2022.11
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
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
Li Zhijian	Wanlian Securities Co., Ltd.	Independent director	2022.12	Not applicable
Zhu Weibin	Guangzhou Huaxin Agricultural Products Group Co., Ltd	Deputy general manager	2021.07	Not applicable
Zhu Weibin	Guangdong MeiShi Technology Co., Ltd.	Independent director	2020.01	Not applicable
Zhu Weibin	Bai Ling Data Co., Ltd.	Independent director	2021.09	Not applicable
Zhu Weibin	Guangzhou Totem Information Technology Ltd.	Independent director	2022.05	Not applicable
Chen Shu	Guangzhou Port Co., Ltd	Independent director	2016.04	2022.05
Chen Shu	Guangdong Wen's Foodstuff Group Co., Ltd	Independent director	2015.12	2022.01
Chen Shu	Guangzhou Pharmaceutical Holdings Limited	External director	2021.09	Not applicable
Chen Shu	Guangzhou Yuexiu Group Ltd.	External director	2016.06	Not applicable

### (3) Remuneration of Directors, Supervisors and Senior Management

Policy and decision-making process of remuneration of Directors, Supervisors and Senior Management	<ol style="list-style-type: none"> <li>In accordance with the Proposal for Remuneration for the Tenth Session of Directors, Supervisors and Senior Management, the Emolument and Examination Committee assessed the performance of executive Directors and senior management for the previous year, determined their performance coefficients and performance salaries, and reported to the Board for approval.</li> <li>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.</li> </ol>
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 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
Han Guangde	Executive Director	Resigned	Due to retirement

### IV. BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Meeting	Date	Resolutions
Twelfth meeting of the Tenth Session of the Board of Directors	2022.3.30	A total of 19 resolutions, including the Work Report of General Manager 2021, and for details, please refer to the announcement disclosed by the Company on the website of the Shanghai Stock Exchange (Interim 2022-004).
Thirteenth meeting of the Tenth Session of the Board of Directors	2022.4.29	A total of 3 resolutions, including the First Quarterly Report 2022, and for details, please refer to the announcement disclosed by the Company on the website of the Shanghai Stock Exchange (Interim 2022-014).
Fourteenth meeting of the Tenth Session of the Board of Directors	2022.6.13	Proposal on the Tenure System and Contractual Management Work Plan of the Company's Management, and for details, please refer to the announcement disclosed by the Company on the website of the Shanghai Stock Exchange (Interim 2022-019).
Fifteenth meeting of the Tenth Session of the Board of Directors	2022.6.23	A total of 7 resolutions, including the Proposal on Amendments to the Company's Information Disclosure Management System, and for details, please refer to the announcement disclosed by the Company on the website of the Shanghai Stock Exchange (Interim 2022-022).
Sixteenth meeting of the Tenth Session of the Board of Directors	2022.8.30	A total of 4 resolutions, including the Proposal on Provision for Asset Impairment, and for details, please refer to the announcement disclosed by the Company on the website of the Shanghai Stock Exchange (Interim 2022-028).
Seventeenth meeting of the Tenth Session of the Board of Directors	2022.10.28	A total of 7 resolutions, including the Third Quarterly Report 2022, and for details, please refer to the announcement disclosed by the Company on the website of the Shanghai Stock Exchange (Interim 2022-033).

## SECTION IV CORPORATE GOVERNANCE

### V. 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	4	1	2	1	0	No	1
Chen Zhongqian	No	6	0	3	3	0	Yes	1
Chen Liping	No	6	4	2	0	0	No	3
Xiang Huiming	No	6	2	3	1	0	No	3
Chen Ji	No	6	2	4	0	0	No	2
Gu Yuan	No	6	1	5	0	0	No	3
Ren Kaijiang	No	6	1	5	0	0	No	3
Yu Shiyou	Yes	6	3	3	0	0	No	3
Lin Bin	Yes	6	3	3	0	0	No	3
Nie Wei	Yes	6	2	3	1	0	No	3
Li Zhijian	Yes	6	2	4	0	0	No	3

Explanation on absence from two consecutive Board meetings

Mr. Chen Zhongqian, a Director of the Company, was unable to attend relevant meetings in person due to work reasons, but he has entrusted other Directors in writing to attend and vote on his behalf.

Number of Board meetings during the year	6
Including: Number of on-site meetings	1
Number of meetings convened by communication equipment	2
Number of meetings both on-site and by communication equipment	3

### VI. SPECIALIZED COMMITTEES UNDER THE BOARD OF DIRECTORS

#### (1). 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 (resigned during the Reporting Period) Members: Chen Zhongqian, Chen Liping, Xiang Huiming, Chen Ji, Gu Yuan, Ren Kaijiang

Note: Mr. Han Guangde, Chairman of the Company, resigned as the Chairman and Director of the 10th Session of the Board of the Company and the Chairman of the Strategy Committee of the Board on 2 August 2022 due to his retirement.

Mr. Chen Zhongqian, Vice Chairman of the Company, resigned as the Vice Chairman and Director of the 10th Session of the Board of the Company and a member of the Strategy Committee of the Board on 22 March 2023 due to his retirement.

#### (2). Four meetings of the Audit Committee held during the Reporting Period

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
30 March 2022	<ol style="list-style-type: none"> <li>1. Consider the Proposal on Provision for Asset Impairment;</li> <li>2. Consider the Annual Report 2021 and Its Summary (including the financial statements for 2021);</li> <li>3. Consider the Profit Distribution Proposal for 2021;</li> <li>4. Consider the Internal Control Evaluation Report 2021;</li> <li>5. Consider the Annual Social Responsibility Report 2021;</li> <li>6. Consider the Proposal on the Appointment of the Company's Financial Report Auditor for the Year 2022;</li> <li>7. Consider the Proposal on the Appointment of the Company's Internal Control Auditors for the Year 2022;</li> <li>8. Consider the Proposal on the Formulation of a Risk Response Plan for Financial Business between the Company and CSSC Finance Company Limited;</li> <li>9. Consider the Proposal on the Amendment to the Internal Audit Charter of COMEC and the Internal Audit Management Regulations of COMEC.</li> </ol> <p>The followings were reported at the meeting:</p> <ol style="list-style-type: none"> <li>1. Duty performance report of the Audit Committee for 2021;</li> <li>2. Report on the internal audit work of the Company for 2021 and the internal audit plan for 2022.</li> </ol>	<p>The Audit Committee conducted its work with due diligence in accordance with relevant laws and regulations, the Articles of Association and other relevant regulations, and put forward relevant opinions and recommendations based on the actual situation of the Company. Through sufficient communication and discussion, the aforesaid nine proposals were unanimously approved.</p>	-
29 April 2022	<ol style="list-style-type: none"> <li>1. Consider the First Quarterly Report 2022;</li> <li>2. Consider the Proposal on Waiver of the Right to Increase Capital in the Same Proportion and Related Party Transactions with Guangzhou Shipyard International Company Limited.</li> </ol>	<p>The Audit Committee conducted its work with due diligence in accordance with relevant laws and regulations, the Articles of Association and other relevant regulations, and put forward relevant opinions and recommendations based on the actual situation of the Company. Through sufficient communication and discussion, the aforesaid two proposals were unanimously approved.</p>	-

## SECTION IV CORPORATE GOVERNANCE

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
30 August 2022	<ol style="list-style-type: none"> <li>1. Consider the Proposal on Provision for Asset Impairment;</li> <li>2. Consider the Interim Report 2022 and Its Summary;</li> <li>3. Consider the Proposal on Amendments to the Internal Control Management Regulations of CSSC Offshore &amp; Marine Engineering (Group) Company Limited;</li> <li>4. Consider the Proposal on the Investment and Establishment of a Subsidiary by the Holding Company of the Company and Related Party Transaction.</li> </ol>	The Audit Committee conducted its work with due diligence in accordance with relevant laws and regulations, the Articles of Association and other relevant regulations, and put forward relevant opinions and recommendations based on the actual situation of the Company. Through sufficient communication and discussion, the aforesaid four proposals were unanimously approved.	–
28 October 2022	<ol style="list-style-type: none"> <li>1. Consider the Third Quarterly Report 2022;</li> <li>2. Consider the Proposal on Amendments to the Company's Management Regulations for Related Party Transactions;</li> <li>3. Consider the Proposal on Signing of the 2023 Framework Agreement for Continuing Related Party Transactions between the Company and China Shipbuilding Group Co., Ltd.;</li> <li>4. Consider the Proposal on Signing of the 2023 Financial Services Framework Agreement between the Company and CSSC Finance Company Limited;</li> <li>5. Consider the Proposal on Risk Assessment Report of CSSC Finance Company Limited.</li> </ol>	The Audit Committee conducted its work with due diligence in accordance with relevant laws and regulations, the Articles of Association and other relevant regulations, and put forward relevant opinions and recommendations based on the actual situation of the Company. Through sufficient communication and discussion, the aforesaid five proposals were unanimously approved.	–

### (3). Two meetings of the Emolument and Examination Committee held during the Reporting Period

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
22 March 2022	Consider the Proposal on Assessment Results and Emolument of the Company's Directors, Supervisors and Senior Management for 2021.	The Emolument and Examination Committee conducted its work with due diligence in accordance with relevant laws and regulations, the Articles of Association and other relevant regulations, and put forward relevant opinions and recommendations based on the actual situation of the Company. Through sufficient communication and discussion, the aforesaid proposal was unanimously approved.	–
13 June 2022	Approve the Proposal on the Formulation of the Tenure System and Contractual Management Work Plan of COMEC Management.	The Emolument and Examination Committee conducted its work with due diligence in accordance with relevant laws and regulations, the Articles of Association and other relevant regulations, and put forward relevant opinions and recommendations based on the actual situation of the Company. Through sufficient communication and discussion, the aforesaid proposal was unanimously approved.	–

### (4). One meeting of the Strategy Committee held during the Reporting Period

Date of meeting	Details of meeting	Important opinions and recommendations	Performance of other duties
30 March 2022	<ol style="list-style-type: none"> <li>1. Consider the Outline of High-quality Development Strategies of COMEC;</li> <li>2. Consider the "14th Five-Year Development Plan" of COMEC.</li> </ol>	The Strategy Committee conducted its work with due diligence in accordance with relevant laws and regulations, the Articles of Association and other relevant regulations, and put forward relevant opinions and recommendations based on the actual situation of the Company. Through sufficient communication and discussion, the aforesaid two proposals were unanimously approved.	–



## SECTION IV CORPORATE GOVERNANCE

### VII. 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.

### VIII. 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	18
Number of existing employees of major subsidiaries	7,486
Total number of existing employees	7,504
Number of retired staff who incurred expenses of the Company and major subsidiaries	4,985

**Functions**

Type of functions	Number of employees (persons)
Production staff	3,847
Sales staff	33
Technical staff	2,581
Finance staff	78
Administrative staff	965
<b>Total</b>	<b>7,504</b>

**Educational Background**

Educational background	Number of employees (persons)
Postgraduate and above	155
Undergraduate	2,910
Specialties	1,807
High school and below	2,632
<b>Total</b>	<b>7,504</b>

**(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 plans**

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	23,245,000 hours
Total remuneration paid for labour outsourcing	RMB1,218.6072 million

## SECTION IV CORPORATE GOVERNANCE

### IX. 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 nineteenth meeting of the tenth session of the Board of Directors of the Company, the profit distribution proposal of the Company for 2022 is as follows:

The Company proposed to distribute a cash dividend of RMB0.10 (including tax) for every 10 shares to all shareholders, and the total cash dividends to be distributed would be RMB14,135,063.78 (including tax), calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2022, which represented 2.05% of the net profit attributable to the shareholders of the listed company for the year. The remaining undistributed profit of RMB954,983,515.14 would be carried forward for distribution in subsequent years. The Company would not convert capital reserve into share capital for 2022. 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. This profit distribution proposal is subject to approval at the 2022 annual general meeting.

#### (ii) Explanation on 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.

(iii) **Description of project distribution and share capital increase by way of transfer from capital reserve during the Reporting Period**

Unit: Yuan Currency: RMB

Number of shares to be distributed for every ten shares (share)	–
Amount to be distributed for every ten shares (RMB) (inclusive of tax)	0.10
Number of shares to be converted into share capital for every ten shares (share)	–
Amount of cash dividend (inclusive of tax)	14,135,063.78
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements during the year of distribution	688,391,027.99
Percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)	2.05
Repurchase of shares through cash offer included in the amount of cash dividend	–
Total amount of dividend (inclusive of tax)	14,135,063.78
Percentage of the total dividend amount to the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)	2.05

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

The Company has established an effective internal control system in 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 2022. 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, major deficiencies in compliance monitoring and risk management, or any major mistakes were found. The Board of Directors considered that the Group's internal control system is effective.

The full text of the Internal Control Self-Assessment Report for 2022 had been published on the websites of the SSE, the Hong Kong Stock Exchange and the Company on 30 March 2023.

## SECTION IV CORPORATE GOVERNANCE

### XI. MANAGEMENT AND CONTROL OVER SUBSIDIARIES DURING THE REPORTING PERIOD

The Group 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 and supervised reports of the related party transactions, external investment, external guarantee and other major matters of the subsidiaries 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.

### XII. AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

BDO has conducted independent audit of the effectiveness of the Company's internal control for 2022 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 ([www.sse.com.cn](http://www.sse.com.cn)) on 30 March 2023.

### XIII. 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.

### XIV. AUDITORS' REMUNERATION AND RELATED MATTERS

Details of the auditor's remuneration and services provided to the Company are set out in "II. Appointment and Dismissal of Accounting Firms" in section VI "Significant Events" of this Report and notes to financial statements.

### XV. AMENDMENT OF ARTICLES OF ASSOCIATION

During the Reporting Period, pursuant to the Company Law, the Securities Law, the Guidelines on Articles of Association of Listed Companies (as amended in 2022) and Other Matters Applicable to the Overseas Listed Companies and other laws and regulations, and taking into account the actual situation of the Company, the Company proposed to amend the relevant articles of the Articles of Association, which were considered and approved by the Shareholders at the 2021 annual general meeting of the Company. For details, please refer to the announcements of the Company dated 30 March 2022 and 19 May 2022 and the circular of the Company dated 29 April 2022.

### XVI. 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

Whether to establish environmental protection related mechanisms Yes  
 Investment in environmental protection during the Reporting Period (Unit: RMB ten thousand) 1,595

**(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 2022 (Sui Huan [2022] No. 30) issued by Guangzhou Environmental Protection Bureau in April 2022, four members of the Company, namely Huangpu Wenchong, Wenchong Shipyard, Huangchuan Ocean Engineering and Wenchuan Heavy Industrial were included as key pollution discharge entities in Guangzhou for 2022.

**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
Toluene	Organized emissions (intermittent)	Huangpu Wenchong (4)	Average emission concentration 0.02 mg/m <sup>3</sup> , total emission 32 KG	None	Emission Limits of Air Pollutants (DB44/27-2001) period II Standard Level 2	-
		Wenchong Shipyard (6)	Average emission concentration 0.63 mg/m <sup>3</sup> , total emission 780 KG	None		-
		Huangchuan Ocean Engineering (7)	Average emission concentration 0.08 mg/m <sup>3</sup> , total emission 19.37 KG	None		-
		Wenchuan Heavy Industrial (1)	Average emission concentration 0.001 mg/m <sup>3</sup> , total emission 0.17 KG	None		-
Xylene	Organized emissions (intermittent)	Huangpu Wenchong (4)	Average emission concentration 0.17 mg/m <sup>3</sup> , total emission 65 KG	None	Emission Limits of Air Pollutants (DB44/27-2001) period II Standard Level 2	-
		Wenchong Shipyard (6)	Average emission concentration 2.79 mg/m <sup>3</sup> , total emission 3,290 KG	None		-
		Huangchuan Ocean Engineering (7)	Average emission concentration 3.43 mg/m <sup>3</sup> , total emission 846 KG	None		-
		Wenchuan Heavy Industrial (1)	Average emission concentration 0.06 mg/m <sup>3</sup> , total emission 1.02 KG	None		-
VOCs	Organized emissions (intermittent)	Huangpu Wenchong (4)	Average emission concentration 2.15 mg/m <sup>3</sup> , total emission 570 KG	None	Guangdong Province's Emission Standard of Volatile Organic Compounds for surface coating (vehicle manufacturing industry) (DB44/816-2010)	-
		Wenchong Shipyard (6)	Average emission concentration 8.14 mg/m <sup>3</sup> , total emission 8,350 KG	None		-
		Huangchuan Ocean Engineering (7)	Average emission concentration 3.26 mg/m <sup>3</sup> , total emission 778 KG	None		-
		Wenchuan Heavy Industrial (1)	Average emission concentration 1.5 mg/m <sup>3</sup> , total emission 19 KG	None		-
Particulate matter	Organized emissions (intermittent)	Huangpu Wenchong (4)	Average emission concentration 5.27 mg/m <sup>3</sup> , total emission 2,300 KG	None	Emission Limits of Air Pollutants (DB44/27-2001) period II Standard Level 2	-
		Wenchong Shipyard (12)	Average emission concentration 4.18 mg/m <sup>3</sup> , total emission 5,660 KG	None		-
		Huangchuan Ocean Engineering (13)	Average emission concentration 21.2 mg/m <sup>3</sup> , total emission 6,024 KG	None		-
	unorganized emissions	Wenchuan Heavy Industrial (1)	None	None		-

## 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
COD	Organized emissions (intermittent)	Huangpu Wenchong (1)	Average emission concentration 30 mg/L, total emission 6,800 KG	None	Guangdong Province's Emission Limits of Water Pollutants period II	-
		Wenchong Shipyard (1)	Average emission concentration 108.58 mg/L, total emission 35,910 KG	None	Standard Level 3 for type II control region	-
		Huangchuan Ocean Engineering (1)	Average emission concentration 20 mg/L, total emission 2,598 KG	None	Guangdong Province's Emission Limits of Water Pollutants period II Standard Level 1	-
		Wenchuan Heavy Industrial (1)	Average emission concentration 31 mg/L, total emission 0.83 KG	None	Guangdong Province's Emission Limits of Water Pollutants period II Standard Level 1	-
Ammonia nitrogen	Organized emissions (intermittent)	Huangpu Wenchong (1)	Average emission concentration 9.7 mg/L, total emission 1,907 KG	None	Guangdong Province's Emission Limits of Water Pollutants period II	-
		Wenchong Shipyard (1)	Average emission concentration 14.22 mg/L, total emission 4,170 KG	None	Standard Level 3 for type II control region	-
		Huangchuan Ocean Engineering (1)	Average emission concentration 2.89 mg/L, total emission 780 KG	None	Guangdong Province's Emission Limits of Water Pollutants period II Standard Level 1 for type II control region	-
		Wenchuan Heavy Industrial (1)	Average emission concentration 1.87 mg/L, total emission 0.61 KG	None	Guangdong Province's Emission Limits of Water Pollutants period II Standard Level 1	-

### 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 workshops). 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. The renovation project of the environmental protection facilities of the painting workshop A was activated in November 2022 and scheduled to commence official operation in March 2023. For production noise, it mainly reduces the impacts of production noise through building enclosure, establishing sound insulation covers and installing mufflers.

#### (3) Huangchuan Ocean Engineering

Huangchuan Ocean Engineering has established a sewage treatment station to treat general production waste water and domestic sewage, installed cyclone + filter cartridge dust collectors at the steel pretreatment line and sandblasting room, 12 sets of activated carbon adsorption + catalytic combustion purification treatment devices for organic waste gas, and 2 sets of zeolite rotor + CO purification devices. All these facilities operate normally. For production noise, it mainly reduces the impact of production noise through equipment selection, building enclosure, establishing sound insulation covers, installing damping pads and mufflers.

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### (4) *Wenchuan Heavy Industrial*

Wenchuan Heavy Industrial's existing environmental pollution prevention and control facilities: one set of sewage treatment plant to treat production wastewater and domestic sewage; one set of drencher spraying + activated carbon adsorption treatment plant for organic waste gas; 25 sets of mobile welding fume purifiers.

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

Huangpu Wenchong, Wenchong Shipyard, Huangchuan Ocean Engineering and Wenchuan Heavy Industrial have strictly implemented the item reporting and approval system in strict accordance with national laws and regulations, all items have project documents and environmental impact assessment report, and have obtained approval for the environmental impact assessment for the items in accordance with the law. Construction projects have strictly implemented the "Three simultaneousness" system for environmental protection, with guaranteed investment in environmental protection facilities, and the environmental acceptance of the projects was completed in accordance with the requirements of the Environmental Impact Assessment approval. Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering own the Pollution Discharge Permit and the Drainage Permit. Wenchuan Heavy Industrial owns the Receipt of Sewage Discharge Registration for Fixed Pollution Sources. Wenchong Shipyard owns the Radiation Safety Permit.

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

Huangpu Wenchong, Wenchong Shipyard, Huangchuan Ocean Engineering and Wenchuan Heavy Industrial 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 with the local environmental departments. A new round of "Emergency Response Plans for Sudden Environmental Events of the Company", "Risk Assessment Report for Sudden Environmental Events of the Company" and "Survey Report on the Company's Emergency Resources" of Wenchong Shipyard were filed with the Huangpu District Environmental Protection Bureau on 28 January 2022. The Company has formulated drill plans for the annual environmental emergency plan, and required all relevant departments carry out regular drills and make on-site records, summaries and assessments to enhance their ability to respond to sudden environmental events.

### 5. ***Environmental self-monitoring solutions***

According to the State Environmental Protection Standard HJ819-2017 "General Rules for Selfmonitoring Technical Guide for Emission Units", Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering have developed their own environmental monitoring programs for posting, on the National Pollutants Authorization Management Information Platform. Qualified companies has been appointed by Huangpu Wenchong, Wenchong Shipyard, Huangchuan Ocean Engineering and Wenchuan Heavy Industrial to carry out regular monitoring work, quarterly monitoring is performed on waste gas, waste water and noise emissions in each plant area, and test results are in compliance with the emissions standards. By monitoring and testing data to keep track of the operation of environmental protection equipment and facilities, with good maintenance and management to ensure that pollutant emissions meet the standards.

## (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.

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### (III) Measures for reducing carbon emission and their performance during the Reporting Period

Whether to take carbon reduction measures	Yes
Reduction of CO2 equivalent emissions (in tonnes)	5,695
Types of carbon reduction measures (e.g. use of clean energy for power generation, use of carbon reduction technologies in production processes, development and production of new products that contribute to carbon reduction, etc.)	<ol style="list-style-type: none"> <li>1 Improve the carbon emission data collection and conversion standards, optimize the carbon data filling and tracking mechanisms, promote accurate traceability of carbon emissions, and continuously enhance the Company's intelligent and refined level of energy consumption monitoring.</li> <li>2 Establish a "dual carbon (peak carbon emissions and carbon neutrality)" indicator control mechanism, clarify the "dual carbon" control target for each department, and form an energy consumption assessment indicator system combined with the process.</li> <li>3 The 6 MW PV power plant in Longxue factory area has been operating steadily, and the 9.2 MW distributed PV power plant in the Changzhou factory area was officially put into operation in August 2022, generating a total of 5.44 million kWh of clean electricity and reducing CO2 emissions by 2,868 tonnes during the year.</li> <li>4 An intelligent air compression station was built in the Longxue factory area, which increased the energy use efficiency by more than 20% and reduced electricity consumption by 22 million kWh/year after put into operation.</li> <li>5 Formulate and publish the audit methods for energy conservation and carbon reduction of fixed assets investment projects, and take "carbon audit" as a necessary prerequisite for fixed assets investment projects.</li> <li>6 Sort out and establish the ledgers of high energy-consuming equipment and facilities, conduct special energy efficiency tests on high energy-consuming equipment, and gradually replace existing high energy-consuming equipment through fixed assets investment projects so as to enhance energy efficiency and reduce CO2 emissions.</li> </ol>

## II. SOCIAL RESPONSIBILITY WORKS

### (i) whether to separately disclose the social responsibility report, sustainability report or ESG report

For details of the Group'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 "2022 Environmental, Social and Governance Report", the simplified and traditional Chinese and English versions of this report have been published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Company ([comec.cssc.net.com](http://comec.cssc.net.com)) on 30 March 2023 and 26 April 2023, respectively.

### (ii) Specific details of social responsibility works

The Group actively fulfilled its social responsibility, positively participated in community volunteer services, organized and planned public welfare activities, and gave back to the society with practical actions. During the Reporting Period, the Group participated in volunteer services for a total of 1,500 times, with the service time of approximately 6,000 hours, and voluntary blood donations for 165 times.

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

Poverty alleviation and rural revitalization projects	Quantity/Content	Notes
Total investment (RMB'0000)	187	
Including: Funds (RMB'0000)	0	
Materials converted into funds (RMB'0000)	187	Purchase of poverty alleviation products and others
Beneficiaries (person)	56	
Forms of assistance (such as industrial, employment and education poverty alleviation, etc.)	Industrial poverty alleviation	

### Specific explanation

In 2022, the Group earnestly implemented the requirements of the CPC Central Committee and provinces and cities on rural revitalization, effectively fulfilled its social responsibility as a state-owned enterprise, improved the self-development ability of the assistance recipients, and invested a total of RMB1.87 million in precise assistance and rural revitalization.



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 of undertaking	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
Commitments made in a report of acquisition or a report on changes in equity	Others	China Shipbuilding Group	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 fulfills 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 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.	Made on 30 June 2021	No	Yes	-	-

## SECTION VI SIGNIFICANT EVENTS

Background of undertaking	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	China Shipbuilding Group	<p><b>Content of undertaking</b></p> <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 entrusted 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.</p> <p>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 shareholder 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	-	-
Undertaking relating to the material asset reorganisation	Solving the defects on titles to lands	CSSC	<p><b>Content of undertaking</b></p> <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 shipbuilding in accordance with the planning for the regions in which they are located, and will be recovered as reserve by Guangzhou Municipal Government. As such, in accordance with the relevant requirements for management of state-owned assets, these two parcels of land and buildings thereon will be transferred to Guangzhou Ship Industrial Co., Ltd. under CSSC for free. As for the transfer and subsequent matters, it was agreed as follows: 1. The transfer of land and buildings thereon was due to the adjustment to urban planning which caused these assets to be no longer suitable for incorporation into the Company. As such, in order to maintain normal production and operation of Huangpu Wenchong and Wenchong Shipyard, it was agreed that the land of Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, of which the ownership has been transferred to Guangzhou Ship Industrial Co., Ltd. under CSSC, will be leased to Huangpu Wenchong and Wenchong Shipyard for continued use, and the rent will be paid based on existing land amortisation, property depreciation and relevant taxes and expenses. In addition, CSSC will spare no efforts to facilitate Guangzhou Municipal Government in finalising the land for new plants and complete the relocation from Changzhou Plant and Wenchong Plant as soon as practicable. 2. Given 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 unenclosed 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 of undertaking	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>1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation. 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to removal, transportation and installation of some of the assets to be demolished due to relocation shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard. 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, CSSC will make up the difference in cash within 90 days after relevant government compensation is in place.</p>	Made on 3 March 2015	No	Yes	-	-
	Settlement of connected transactions	CSSC	<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>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

### II. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: Yuan Currency: RMB

	<b>Currently appointed</b>
Name of domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of domestic accounting firm	1,260,000
Number of years of audit by domestic accounting firm	2
Name of certified public accountants of domestic accounting firm	Liang Qianhai, Lu Li
Continuing service year of certified public accountant of domestic accounting firm	2 years
Name of overseas accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of overseas accounting firm	-
Number of years of audit by overseas accounting firm	2 years

	<b>Name</b>	<b>Remuneration</b>
Accounting firm for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP	280,000
Financial consultant	-	-
Sponsor	-	-

#### Description

- It was considered and passed at the annual general meeting of 2021 of the Company that, BDO was appointed as the auditor for the financial report of the Company for 2022. The audit fee is RMB1.26 million (inclusive of tax). As of 31 December 2022, BDO has provided audit services to the Company for a continuous period of two year. The financial statements in the Company's annual report 2022 will be prepared according to the "Accounting Standards for Business Enterprises" of the PRC, and audited by BDO. BDO will retire upon expiry of the appointment term and offer themselves for re-appointment.
- It was considered and passed at the 12th meeting of the 10th session of the Board that the Company appointed BDO as the Company's internal control auditor for 2022. The audit fee is RMB280,000 (inclusive of tax). BDO will carry out audit on the effectiveness of the Company's internal control and issue an audit report

### III. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company had no material litigations or arbitrations during the Year.

IV. 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 transactions, particulars of these transactions disclosed by the Company in accordance with Rule 14A.71 of the Listing Rules are set out below and in notes to financial statements.

Financial report auditors 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 the relevant contractual provisions; the transaction terms are fair and reasonable, and in the shareholders’ interests as a whole; and the transactions did not exceed the annual caps for Year 2022, as approved in the general meeting.

The Company’s auditors have issued a letter with unqualified opinions on the findings and conclusion of the Group’s above-mentioned continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules of the Stock Exchange.

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 CSSC 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).

During the Reporting Period, CSSC directly and indirectly holds 827,278,590 Shares, representing approximately 58.52% of the total number of issued Shares of the Company, therefore, CSSC, being a controlling shareholder of the Company, is a connected person of the Company pursuant to the Listing Rules of the Stock Exchange. As a result, the transactions between the Group and the CSSC and its subsidiaries and associates constitute connected transactions of the Company.

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

**Routine connected transactions in the ordinary course of business for 2022 (from January to December)**

*Unit: RMB in ten thousand*

NO.	Content and type of transaction	Annual Cap approved at general meeting	Actual transaction amount	Proportion of total amount of transactions of the same type (%)	Pricing basis
1	<b>Products and services provided by the Group to CSSC</b>				
1.1	Provision of ship products, electromechanical equipment and metallic materials	267,354.00	22,956.85	1.83	Market price
1.2	Supply of utilities	160.00	26.04	5.52	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	4,400.00	3,164.33	14.93	On prices no less favourable to the Group than prices available from independent third parties
2	<b>Products and services provided by CSSC to the Group</b>				
2.1	Provision of equipment for use on ships, electromechanical equipment, accessories and materials	707,354.00	485,422.69	44.01	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.	59,455.00	32,382.83	11.03	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	<b>Financial services provided by CSSC to the Group</b>				

## SECTION VI SIGNIFICANT EVENTS

NO.	Content and type of transaction	Annual Cap approved at general meeting	Actual transaction amount	Proportion of total amount of transactions of the same type (%)	Pricing basis
3.1	Deposits (maximum limit)	623,500.00	620,336.77	42.39	Appropriate rise of benchmark deposit interest rate set by the People's Bank of China
3.2	Deposits (interest)	8,675.00	7,865.61	17.79	
3.3	Loans (maximum limit)	180,000.00	114,000.00	19.30	
3.4	Loans (interest)	7,056.00	1,549.51	10.12	
3.5	Others and bank facilities (maximum limit)	335,000.00	202,543.65	21.17	On terms no less favourable to the Group than terms available from independent third parties
3.6	Others and bank facilities (handling fee)	482.00	170.46	6.44	
3.7	Forward exchange settlement (maximum limit)	200,000.00	199,302.64	20.37	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	164,000.00	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	3,162.52	100.00	
4	<b>Guarantee services provided by CSSC to the Group</b>				
4.1	Maximum guarantee amount	160,000.00	-	Not applicable	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	<b>Ship sales agency services provided by CSSC to the Group</b>				
5.1	Ship sales agency	3,407.00	1,831.54	23.73	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	<b>Procurement agency services provided by CSSC to the Group</b>				
6.1	Materials purchase agency	383.00	5.54	100.00	Follow the worldwide industry practice and 1-2% of the contract price in general

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

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

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

On 29 April 2022 and 23 June 2022, the Resolution on the Waiver of Right to Exercise the Pro Rata Capital Contribution to Guangzhou Shipyard International Company Limited and Related Party Transaction was considered and approved at the 13th meeting of the tenth session of the Board of the Company and the first extraordinary general meeting of 2022. CSSC Holdings proposed to increase the capital of Guangzhou Shipyard International Company Limited by RMB1,070,432,000; CSSC and the Company waived the right to exercise pro rata capital contribution to Guangzhou Shipyard International Company Limited. Upon completion of the transaction, the Company's shareholding in Guangzhou Shipyard International Company Limited decreased from 46.3018% to 41.9170%. For details, please refer to the announcements including "Announcement on the Resolution of the Thirteenth Meeting of the Tenth Session of the Board of CSSC", "Announcement on the Waiver of the Right to Exercise the Pro Rata Capital Contribution to Guangzhou Shipyard International Company Limited by COMEC and Related Party Transaction" and "Resolutions of the First Extraordinary General Meeting of 2022 of CSSC" published on the SSE website ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) dated 29 April 2022 and 23 June 2022.

On 25 July 2022, GSI has obtained the "Notice of Approval for Change of Registration (Filing)" issued by the Guangzhou Municipal Administration for Market Registration, approving the Company to reduce its shareholding in GSI from 46.3018% to 41.9170%.

### (iii) Major related transactions relating to joint external investments

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

On 30 August 2022, the 16th Meeting of the 10th Session of the Board of the Company considered and passed the "Resolution on the Investment for Establishment of Subsidiary by the Controlling Shareholder of the Company and Related Party Transaction", and agreed that the Controlling Shareholder Wenchuan Heavy Industrial would make cash contribution amounting to RMB300 million to jointly establish Guangxi Wenchuan Heavy Industrial with CSSC Guangxi Ships and Maritime Engineering Co., Ltd and Guangxi Qinzhou Linhai Industrial Investment Group Co., Ltd.. For details, please refer to the announcements including "Announcement on the Resolution of the Sixteenth Meeting of the Tenth Session of the Board of CSSC", "Announcement on the Investment for Establishment of Subsidiary by the Controlling Shareholder of the Company and Related Party Transaction by COMEC" published on the SSE website ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) dated 30 August 2022.

On September 9, 2022, Guangxi Wenchuan Heavy Industrial Co., Ltd. was incorporated in Guangxi Qinzhou, and the shareholding of Wen Ship Heavy Industrial to Guangxi Wenchuan Heavy Industrial Co., Ltd. was 71.4%.

## SECTION VI SIGNIFICANT EVENTS

### (iv) Financial operations between the Company and related financial companies, financial companies controlled by the Company and related parties

#### 1. Deposit business

Unit: RMB in ten thousand

Related party	Type of relationship	Maximum daily deposit limit	Range of deposit rates	Opening balance	Current balance		Closing balance
					Total amount deposited in the period	Total amount with drawn in the period	
CSSC Finance Company Limited	Controlled by the same controlling shareholder	623,500.00	Appropriate rise of benchmark deposit interest rate set by the People's Bank of China	619,194.02	8,756,101.74	8,754,958.99	620,336.77
Total	/	/	/	619,194.02	8,756,101.74	8,754,958.99	620,336.77

#### 2. Loan business

Unit: RMB in ten thousand

Related party	Type of relationship	Loan limit	Range of loan interest rate	Opening balance	Current balance		Closing balance
					Total amount borrowed in the period	Total amount repaid in the period	
CSSC Finance Company Limited	Controlled by the same controlling shareholder	180,000.00	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	114,000.00	30,500.00	114,000.00	30,500.00
Total	/	/	/	114,000.00	30,500.00	114,000.00	30,500.00

#### 3. Facilities business or other financial business

Unit: RMB in ten thousand

Related party	Type of relationship	Business type	Total Actual transaction amount	
			Total	Actual transaction amount
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Deposit (interest)	8,675.00	7,865.61
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Loan (interest)	7,056.00	1,549.51
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Others and bank facilities (maximum limit)	335,000.00	202,543.65
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Others and bank facilities (handling fee)	482.00	170.46
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Forward exchange settlement (maximum limit)	200,000.00	199,302.64
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Entrusted assets (maximum limit)	350,000.00	164,000.00
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Entrusted assets (interest)	7,350.00	3,162.52

## SECTION VI SIGNIFICANT EVENTS

### V. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

#### (i) Leases

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Leased assets	Amount of lease assets	Date of commencement of lease	Date of expiry of lease	Rental Income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not Relationship	Relationship
Guangzhou Ship Industrial Co., Ltd.	Huangpu Wenchong	Land, buildings and structures	-	2014.5.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Wenchong Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	-	2018.11.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangxin Shipbuilding & Heavy Industry Co. Ltd.	Wenchuan Heavy Industrial	Land, buildings and structures	-	2019.5.1	2022.4.30	-	-	-	No	
Guangdong Guangxin Shipbuilding Trading Company Limited	Wenchuan Heavy Industrial	Land, buildings and structures	-	2022.7.1	2024.4.30	-	-	-	No	
Guangdong COSCO SHIPPING Heavy Industry Co., Ltd.	Wenchuan Heavy Industrial	Land, buildings and structures	-	2021.7.9	2026.7.8	-	-	-	No	

#### Description of leases

Guangzhou Ship Industrial Company Limited and Huangpu Wenchong entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Company shall lease its land use rights in relation to part of the land at the Changzhou Plant to Huangpu Wenchong for operational usage. The rent for the land use rights shall be determined based on the principle of asset depreciation, and amortisation of taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use rights commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong is completed and commences formal production at its new plant.

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

Guangxin Shipbuilding & Heavy Industry Co., Ltd. and Wenchuan Heavy Industrial 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 Wenchuan Heavy Industrial for operational 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 ended on 30 April 2022. On 29 June 2022, Guangdong Guangxin Shipbuilding Trading Company Limited, a wholly-owned subsidiary of Guangxin Shipbuilding & Heavy Industry Co., Ltd., re-entered the "Plant and Equipment Lease Contract" as the owner of this subject with Wenchuan Heavy Industrial. The plant and equipment to be leased remain unchanged, the lease fee shall be determined in accordance with the contract, and the rent shall be paid monthly in the form of monetary funds. The lease term has been extended to April 30, 2024.

Guangdong COSCO SHIPPING Heavy Industry Co., Ltd. and Wenchuan Heavy Industrial entered the "Site and Equipment Lease Contract", and leased part of the site and its ancillary equipment in Runfeng Road, Dasheng Industrial Zone, Mayong Town, Dongguan City, to Wenchuan Heavy Industrial for operational 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: RMB in ten thousand

#### Guarantees provided by the Company and its subsidiaries for its subsidiaries

Total amount of guarantees provided for its subsidiaries during the Reporting Period	60,000.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	57,277.14

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

Total amount of guarantees	57,277.14
Total amount of guarantees as a percentage of the Company's net assets (%)	3.05
Including:	
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio over 70%	18,277.14
Description of outstanding guarantees which may incur joint and several liability	Not applicable
Description of guarantees	During the Reporting Period, the Group provided external guarantee with an accumulated amount of RMB0.6 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 RMB0.573 billion, most of them were guarantees provided by the Company's subsidiary Huangpu Wenchong to its subsidiaries Wenchong Shipyard, Wenchuan Heavy Industrial and Huangchuan Ocean Engineering. The guarantee items are comprehensive credit guarantee and financing project guarantee.

## SECTION VI SIGNIFICANT EVENTS

### (iii) Cash assets entrusted to be managed by others

#### 1. Entrusted wealth management

##### (1) Overview of entrusted wealth management

Unit: RMB in ten thousand

Type	Source of funding	Amount incurred	Outstanding balance	Amount overdue uncovered
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Bank wealth management	Self-owned funds	310,000.00	0	0
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Description:

During the Reporting Period, the Group's entrusted wealth management (daily maximum balance) incurred amounted to RMB3,100 million, and the newly added amount for the year was RMB1,640 million.

##### (2) Individual entrusted wealth management

Unit: RMB in ten thousand

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	Uses	Source of funding	Method of determination of remuneration	Amuraised 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	160,000.00	2021/2/29	2022/1/7	Merly 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	Self-owned funds	Recovery of principal and income are on a one-off basis	1.90%		74.96	160,000.00	Yes	No	
CSSC Finance	Entrusted assets	90,000.00	2021/2/30	2022/1/13		Self-owned funds		2.00%		69.04	90,000.00	Yes	No	
CSSC Finance	Entrusted assets	45,000.00	2021/2/4	2022/4/22		Self-owned funds		3.00%		325.46	45,000.00	Yes	No	
CSSC Finance	Entrusted assets	45,000.00	2021/2/6	2022/4/27		Self-owned funds		3.00%		336.56	45,000.00	Yes	No	
CSSC Finance	Entrusted assets	40,000.00	2021/2/5	2022/4/22		Self-owned funds		3.00%		285.03	40,000.00	Yes	No	
CSSC Finance	Entrusted assets	33,000.00	2021/2/30	2022/2/26		Self-owned funds		2.77%		910.69	33,000.00	Yes	No	
CSSC Finance	Entrusted assets	30,000.00	2022/5/16	2022/11/23		Self-owned funds		3.20%		502.26	30,000.00	Yes	No	
CSSC Finance	Entrusted assets	27,000.00	2021/2/16	2022/2/15		Self-owned funds		2.23%		600.03	27,000.00	Yes	No	
CSSC Finance	Entrusted assets	4,000.00	2022/8/16	2022/12/15		Self-owned funds		4.33%		57.37	4,000.00	Yes	No	

Description:

During the Reporting Period, the Company and its wholly owned subsidiary Huangpu Wenchong have utilised surplus capital in entrusted asset management in CSSC Finance, 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. During the Reporting Period, the Group's entrusted assets (daily maximum balance) incurred amounted to RMB3,100 million, which has been fully recovered upon maturity, with the actual gain of RMB31,625,200.

2. *Entrusted loans*

(1) Overview of entrusted loans

*Unit: RMB in ten thousand*

Type	Source of funding	Amount incurred	Outstanding balance	Amount overdue uncovered
Internal working capital loans of the Group	Self-owned funds	111,000.00	93,000.00	0

Description:

During the Reporting Period, in order to support the operation and development of its subsidiaries and supplement working capital for production and operation, the Group provided working capital loans to relevant subsidiaries with CSSC Finance as the entrusted financial institution. There was no entrusted loan business for external entities.

(2) Individual entrusted loans

*Unit: RMB in ten thousand*

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Uses	Source of funding	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	28,000.00	2021/3/24	2024/3/23	Replenishment of working capital of Merchuan Industrial	Self-owned funds	Payment of interest on a quarterly basis and principal upon maturity	3.00%				Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	15,000.00	2019/6/23	2022/6/22	Replenishment of working capital of Merchuan Industrial	Self-owned funds	Payment of interest on a quarterly basis and principal upon maturity	3.00%		15,000.00	15,000.00	Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	15,000.00	2022/7/14	2025/6/24	Replenishment of working capital of Merchuan Industrial	Self-owned funds	Payment of interest on a quarterly basis and principal upon maturity	3.20%				Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000.00	2022/6/16	2025/6/24	Replenishment of working capital of Merchuan Industrial	Self-owned funds	Payment of interest on a quarterly basis and principal upon maturity	3.20%				Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000.00	2020/6/30	2023/6/29	Replenishment of working capital of Huzhou Ocean Engineering	Self-owned funds	Payment of interest on a quarterly basis and principal upon maturity	0.00%				Yes	Yes	

## SECTION VI SIGNIFICANT EVENTS

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000.00	2020/7/30	2023/6/29	Self-owned funds	Replenishment of working capital of Huzhou Ocean Engineering	Payment of interest on a quarterly basis and principal upon maturity	0.00%			Yes	Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	5,000.00	2020/2/26	2023/3/17	Self-owned funds	Replenishment of working capital of Merchuan Industria	Payment of interest on a quarterly basis and principal upon maturity	3.00%			Yes	Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	5,000.00	2020/3/31	2023/3/17	Self-owned funds	Replenishment of working capital of Merchuan Industria	Payment of interest on a quarterly basis and principal upon maturity	3.00%			Yes	Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	5,000.00	2020/1/225	2023/3/17	Self-owned funds	Replenishment of working capital of Merchuan Industria	Payment of interest on a quarterly basis and principal upon maturity	3.00%			Yes	Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	5,000.00	2022/6/24	2025/6/24	Self-owned funds	Replenishment of working capital of Merchuan Industria	Payment of interest on a quarterly basis and principal upon maturity	3.20%			Yes	Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	3,000.00	2018/6/7	2022/6/6	Self-owned funds	Replenishment of working capital of Huzhou Ocean Engineering	Payment of interest on a quarterly basis and principal upon maturity	0.00%		3,000.00	3,000.00	Yes	Yes	
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	3,000.00	2019/9/5	2022/9/4	Self-owned funds	Replenishment of working capital of Merchuan Industria	Payment of interest on a quarterly basis and principal upon maturity	3.50%		3,000.00	3,000.00	Yes	Yes	

### Description:

During the Reporting Period, the Group's internal entrusted loans (daily maximum balance) amounted to RMB1,110 million, and additions for the year was 300 million, and an outstanding balance was RMB930 million, which was the entrusted loans business 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.

## VI. 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 2022 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 2022, the Company's gearing ratio was 59.66%.

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 2022, none of the Company or any of its subsidiaries has entered into any significant transaction, arrangement or contract, in which Directors or Supervisors or entities connected with them have direct or indirect significant interest and which is still in effect during the financial year ended 31 December 2022.

## 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 2022.

## 12. Major customers and suppliers

For the year ended 31 December 2022, the Group's purchases from its top five suppliers amounted to RMB5,843.6211 million in total, representing 49.68% 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 RMB5,176.0025 million, representing approximately 44.00% of the total purchases for the Year.

For the year ended 31 December 2022, the Group's sales to top five customers amounted to RMB7,697.7390 million in total, representing 61.18% of the Group's total sales for the year, of which sales to the largest customer amounted to RMB5,789.5229 million, representing 46.01% 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.

## SECTION VI SIGNIFICANT EVENTS

### 13. Significant investment

Name of the investment enterprise	Principal activities	Number of shares held	Percentage of shares held	Investment cost (RMB)	As at the end of the Reporting Period		During the Reporting Period	
					Fair value (RMB)	Percentage of total company assets	Change in fair value (RMB)	Dividend income recognised (RMB)
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%	2,857,883,200	4,845,786,700	10.43%	-545,912,200	6,524,800

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. Remuneration policies

As of 31 December 2022, the total number of employees of the Group was 7,504. 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.

### 16. Retirement and employee benefit plans

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

### 17. Audit Committee

The Audit Committee of the Company has reviewed the Group's annual results for 2022 and the financial statements for the year ended 31 December 2022 prepared under the Accounting Standards for Business Enterprises in the PRC.

### 18. Profit distribution proposal

The Company intends to distribute a cash dividend of RMB0.10 (tax inclusive) for every 10 shares to all its shareholders, calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2022, and the total cash dividends to be distributed will be RMB14,135,063.78 (tax inclusive), representing 2.05% of the net profit attributable to shareholders of the Company for the year. The remaining undistributed profits of RMB954,983,515.14 will be carried forward for distribution in future years. The Company did not convert capital reserve into share capital for 2022. 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. This profit distribution proposal is subject to approval at the 2022 annual general meeting.

## SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

There was no change in the total number and structure of shares 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	74,032
Total number of ordinary shareholders as at the end of the month preceding the date of publication of annual report	77,353

#### (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 title)	Change during the Reporting Period	Shareholding of top ten shareholders		Number of shares subject to selling restriction	Shares pledged or frozen Share status	Number	Nature of shareholder
		Number of shares held at the end of the period	Percentage (%)				
HKSCC NOMINEES LIMITED	-122,870	589,236,018	41.69%	0	None	-	Overseas legal person
China State Shipbuilding Corporation Limited	-	481,337,700	34.05%	0	None	-	State-owned legal person
E Fund – China Reform State-owned Enterprise New Development Pattern Private Equity Investment Fund – E Fund – State-owned Enterprise Stable Income – 1 Single Asset Management Plan	12,478,683	12,478,683	0.88%	0	None	-	Others
China Merchants Bank Co., Ltd. – E Fund High Quality and Strict Selection Three-Year Hybrid Securities Investment Fund	9,899,069	9,899,069	0.70%	0	None	-	Others
China Merchants Bank Co., Ltd. – E Fund Ruiheng Flexible Allocation of Hybrid Securities Investment Fund	7,731,096	7,731,096	0.55%	0	None	-	Others
Bank of China – Southern High Growth Stock Type Open-end Securities Investment Fund	5,428,729	5,428,729	0.38%	0	None	-	Others
Yangzhou Kejin Shipyard Co., Ltd.	-	4,599,086	0.33%	0	Pledged	4,300,000	Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited	2,492,616	4,230,080	0.30%	0	None	-	Overseas legal person
Guan Haiguo	1,627,804	3,937,004	0.28%	0	None	-	Domestic natural person
Industrial and Commercial Bank of China Limited – South Advantage Industry Flexible Allocation Hybrid Securities Investment Fund (LOF)	3,862,100	3,862,100	0.27%	0	None	-	Others

## SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

### Top ten shareholders of shares not subject to selling restrictions

Name of shareholder	Name of shareholder held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	589,236,018	Overseas listed foreign shares	589,236,018
China State Shipbuilding Corporation Limited	481,337,700	Ordinary shares denominated in RMB	481,337,700
E Fund – China Reform State-owned Enterprise New Development Pattern Private Equity Investment Fund – E Fund – State-owned Enterprise Stable Income – 1 Single Asset Management Plan	12,478,683	Ordinary shares denominated in RMB	12,478,683
China Merchants Bank Co., Ltd. – E Fund High Quality and Strict Selection Three-Year Hybrid Securities Investment Fund	9,899,069	Ordinary shares denominated in RMB	9,899,069
China Merchants Bank Co., Ltd. – E Fund Ruiheng Flexible Allocation of Hybrid Securities Investment Fund	7,731,096	Ordinary shares denominated in RMB	7,731,096
Bank of China – Southern High Growth Stock Type Open-end Securities Investment Fund	5,428,729	Ordinary shares denominated in RMB	5,428,729
Yangzhou Kejin Shipyard Co., Ltd	4,599,086	Ordinary shares denominated in RMB	4,599,086
Hong Kong Securities Clearing Company Limited	4,230,080	Ordinary shares denominated in RMB	4,230,080
Guan Haiguo	3,937,004	Ordinary shares denominated in RMB	3,937,004
Industrial and Commercial Bank of China Limited – South Advantage Industry Flexible Allocation Hybrid Securities Investment Fund (LOF)	3,862,100	Ordinary shares denominated in RMB	3,862,100
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 shareholders of preference shares with restoration of voting rights and their shareholding	–		
Explanation on shareholders of preference shares with restoration of voting rights and their shareholding	–		



## SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

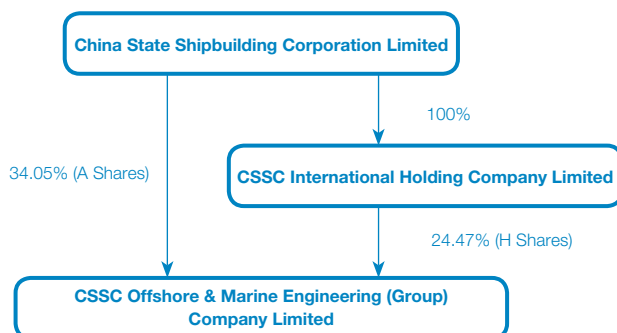
### III. CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS

#### (i) Controlling shareholders

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 joint stocks during the Reporting Period	As of 31 December 2022, 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).

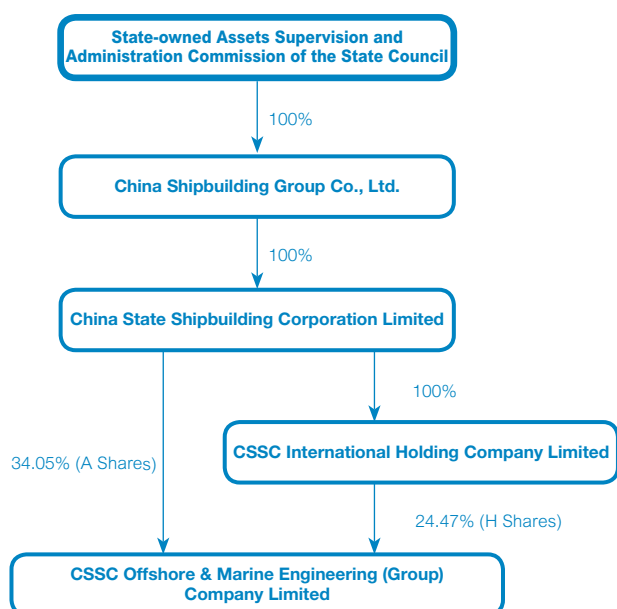
## SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

### *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 MORE THAN 10% SHAREHOLDING

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	HK\$1,000,000	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 2022, the following persons (other than Directors, supervisors or members of senior management of the Company) have 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 2022.

### VI. DIRECTORS' AND SUPERVISORS' INTEREST

As at 31 December 2022, 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

The public float of the Company remained to be satisfied at the level required by the Listing Rules of the Stock Exchange during the Reporting Period and up to the date of this report.

#### (iii) Related Party Transactions

Details of related party transactions of the Group for 2022 are set out in notes to financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Rules Governing the Listing of Securities on the Stock Exchange, except for the transactions described in "Material Related Transactions" sets out in "Significant Events" in Section VI, in respect of which the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange have been complied with.

## SECTION VIII FINANCIAL REPORT



立信會計事務所(特殊普通合夥)  
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郵編：200002  
電話：86-21-63391166  
傳真：86-21-63392558

BDO China SHU LUN PAN Certified Public Accountants LLP  
Address: 4/F. No. 61 NanJing Road East  
Shanghai / P.R.C. Postcode: 200002  
Telephone: 86-21-63391166  
Facsimile: 86-21-63392558

### AUDITORS' REPORT

XIN KUAI SHI BAO ZI [2023] No. ZA90120

## 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 (the "COMEC"), which comprise the consolidated and the Company's balance sheets as at 31 December 2022, 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 2022 and the relevant notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, COMEC's consolidated and the Company's financial position as at 31 December 2022 and consolidated and the Company's financial performance and cash flows for the year 2022 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 China Code of Ethics for 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.

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

**(I) Recognition of revenue based on the progress of performance**

Key Audit Matters	How the matter is addressed in auditing
<b>(I) Recognition of revenue based on the progress of performance</b>	
<p>COMECC is principally engaged in building of large ships, offshore engineering products and ship maintenance. In accordance with relevant provisions of the Accounting Standards for Business Enterprises No. 14 – Revenue (Revised in 2017), COMECC management has analyzed the contracts of various business types according to the requirements of the “five-step method”. For contracts on shipbuilding, offshore engineering products and other products that are assessed to meet the condition of “performing the obligation within a certain period of time”, revenue shall be recognized based on the progress of performance; for contracts on shipbuilding, offshore engineering products and other products that are assessed not to meet the condition of “performing the obligation within a certain period of time”, COMECC will recognize revenue based on the time point of transferring the control rights of relevant products by taking into account various factors. As shown in Note V(49)3, COMECC recognizes a revenue of RMB8.151 billion this year based on the progress of performance, representing 63.70% of operating income. The amount and its proportion to the operating income are relatively significant and involve accounting estimates of the Management.</p> <p>Revenue recognized based on the progress of performance 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 COMECC recognizes revenue based on the progress of performance during the appropriate Accounting Period. As such, we considered the revenue recognized based on the progress of performance as a key audit matter.</p>	<ol style="list-style-type: none"> <li>(1) 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;</li> <li>(2) Inspect the shipbuilding and offshore engineering businesses contracts, 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;</li> <li>(3) Carry out the analysis of procedure for the gross profit margin of the shipbuilding and offshore engineering businesses contracts in terms of the year and project, identify whether there is significant or abnormal fluctuation, and identify the reasons of such fluctuation;</li> <li>(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;</li> <li>(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;</li> <li>(6) Test the accuracy of management’s calculations of the progress of performance and revenue recognised in accordance with the progress of performance;</li> <li>(7) Check that whether the information relating to operating income is properly presented in the financial statements.</li> </ol>

## IV. OTHER INFORMATION

The management of COMECC (the “management”) is responsible for the other information. The other information comprises the information included in the 2022 annual report of A shares and H shares of COMECC, but does not include the financial statements and our auditor’s report thereon. We have obtained the 2022 annual report for A shares prior to the audit report date and the 2022 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.

## SECTION VIII FINANCIAL REPORT

### 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, as applicable, 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 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.

(This page has no text, it is the signature page of the audit report of CSSC Offshore & Marine Engineering (Group) Company Limited issued by BDO China SHU LUN PAN Certified Public Accountants LLP)

**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 2023

(This signature and seal page is for the exclusive use of CSSC Offshore & Marine Engineering (Group) Company Limited – Report XIN KUAI SHI BAO ZI [2023] No. ZA90120 and shall not be used for any other purpose.)

# CONSOLIDATED BALANCE SHEET

31 December 2022

(All amounts in RMB Yuan unless otherwise stated)

Assets	Notes	31 December 2022	31 December 2021
<b>Current assets:</b>			
Cash at bank and on hand	V(1)	<b>14,813,771,761.29</b>	9,560,403,363.57
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading	V(2)	<b>29,872,972.39</b>	3,281,028,607.57
Derivative financial assets			
Notes receivable	V(3)	<b>86,019,898.33</b>	82,331,260.05
Accounts receivable	V(4)	<b>1,068,053,871.94</b>	1,077,732,663.76
Receivable financing	V(5)	<b>111,888,545.80</b>	192,855,840.34
Prepayments	V(6)	<b>2,892,088,396.57</b>	2,149,658,651.91
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contracts receivable			
Other receivables	V(7)	<b>60,834,609.19</b>	94,550,370.96
Financial assets purchased under agreements to resell			
Inventories	V(8)	<b>4,353,610,820.41</b>	4,922,901,059.95
Contract assets	V(9)	<b>2,294,261,099.29</b>	2,542,443,559.33
Assets held for sale			
Non-current assets due within one year			
Other current assets	V(10)	<b>134,733,999.65</b>	177,819,458.91
<b>Total current assets</b>		<b>25,845,135,974.86</b>	24,081,724,836.35
<b>Non-current assets:</b>			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables	V(11)	<b>2,152,535,952.28</b>	2,371,139,998.94
Long-term equity investments	V(12)	<b>5,576,276,499.57</b>	4,952,678,909.18
Investments in other equity instruments	V(13)	<b>4,911,318,677.22</b>	5,480,001,529.79
Other non-current financial assets			
Investment properties	V(14)	<b>136,186,631.58</b>	142,724,056.62
Fixed assets	V(15)	<b>5,354,647,353.76</b>	4,740,631,472.84
Construction in progress	V(16)	<b>277,015,334.55</b>	229,186,214.27
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V(17)	<b>183,901,510.27</b>	189,367,500.07
Intangible assets	V(18)	<b>910,432,718.07</b>	933,616,499.15
Development expenses	V(19)		
Goodwill			
Long-term deferred expenses	V(20)	<b>49,583,618.68</b>	51,236,644.02
Deferred tax assets	V(21)	<b>346,379,500.55</b>	365,036,681.11
Other non-current assets	V(22)	<b>736,372,873.26</b>	728,064,530.20
<b>Total non-current assets</b>		<b>20,634,650,669.79</b>	20,183,684,036.19
<b>Total assets</b>		<b>46,479,786,644.65</b>	44,265,408,872.54

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**



# CONSOLIDATED BALANCE SHEET

31 December 2022  
(All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	Notes	31 December 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings	V(23)	<b>2,881,008,138.92</b>	1,914,936,125.56
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading	V(24)	<b>5,919,716.73</b>	
Derivative financial liabilities			
Notes payable	V(25)	<b>2,984,392,901.64</b>	2,524,645,592.26
Accounts payable	V(26)	<b>4,541,444,942.07</b>	5,851,878,752.31
Advances from customers			
Contract liabilities	V(27)	<b>11,979,592,304.12</b>	9,348,839,525.55
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)	<b>1,179,807.93</b>	361,255.50
Taxes payable	V(29)	<b>76,728,304.39</b>	35,046,259.47
Other payables	V(30)	<b>273,196,896.59</b>	185,245,553.74
Fee and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	V(31)	<b>1,459,215,392.42</b>	951,219,195.92
Other current liabilities	V(32)	<b>158,671,658.76</b>	202,747,908.16
<b>Total current liabilities</b>		<b>24,361,350,063.57</b>	21,014,920,168.47
<b>Non-current liabilities:</b>			
Reserves for insurance contracts			
Long-term borrowings	V(33)	<b>2,230,247,510.00</b>	3,189,417,299.77
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	V(34)	<b>114,585,384.56</b>	169,778,977.55
Long-term payables			
Long-term employee benefits payable	V(35)	<b>129,074,455.73</b>	152,165,220.45
Estimated liabilities	V(36)	<b>136,750,611.11</b>	117,524,817.28
Deferred income	V(37)	<b>87,673,373.52</b>	89,607,608.17
Deferred tax liabilities	V(21)	<b>503,342,468.74</b>	664,220,819.92
Other non-current liabilities	V(38)	<b>166,058,913.54</b>	196,955,482.65
<b>Total non-current liabilities</b>		<b>3,367,732,717.20</b>	4,579,670,225.79
<b>Total liabilities</b>		<b>27,729,082,780.77</b>	25,594,590,394.26

# CONSOLIDATED BALANCE SHEET

31 December 2022

(All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	Notes	31 December 2022	31 December 2021
<b>Owners' equity:</b>			
Share capital	V(39)	<b>1,413,506,378.00</b>	1,413,506,378.00
Other equity instruments Including: Preference shares Perpetual bonds			
Capital reserve	V(40)	<b>9,375,981,708.49</b>	9,393,552,318.37
Less: Treasury shares			
Other comprehensive income	V(41)	<b>1,450,554,845.16</b>	1,863,752,512.56
Special reserve	V(42)		
Surplus reserve	V(43)	<b>1,111,646,419.34</b>	1,042,398,235.53
Provision for general risks			
Retained Earnings	V(44)	<b>2,236,341,205.82</b>	1,811,537,356.69
<b>Total equity attributable to shareholders of the Company</b>		<b>15,588,030,556.81</b>	15,524,746,801.15
Non-controlling interests	V(45)	<b>3,162,673,307.07</b>	3,146,071,677.13
<b>Total equity</b>		<b>18,750,703,863.88</b>	18,670,818,478.28
<b>Total liabilities and equity</b>		<b>46,479,786,644.65</b>	44,265,408,872.54

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# BALANCE SHEET OF THE COMPANY

31 December 2022

(All amounts in RMB Yuan unless otherwise stated)

Assets	Notes	31 December 2022	31 December 2021
<b>Current assets:</b>			
Cash at bank and on hand	XVI(1)	<b>1,431,102,333.93</b>	985,746,117.67
Financial assets held-for-trading	XVI(2)		600,411,000.00
Derivative financial assets			
Notes receivable			
Accounts receivable	XVI(3)	<b>4,859,222.94</b>	16,382,059.52
Receivable financing			
Prepayments			
Other receivables	XVI(4)	<b>794,605.06</b>	301,242.19
Inventories	XVI(5)	<b>24,909,034.04</b>	24,909,034.04
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	XVI(6)	<b>20,817,863.40</b>	21,215,192.31
<b>Total current assets</b>		<b>1,482,483,059.37</b>	1,648,964,645.73
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVI(7)	<b>7,162,989,992.29</b>	6,351,976,696.47
Investments in other equity instruments	XVI(8)	<b>4,845,786,728.48</b>	5,391,698,967.64
Other non-current financial assets			
Investment properties	XVI(9)	<b>136,186,631.58</b>	142,724,056.62
Fixed assets	XVI(10)	<b>4,642,135.34</b>	4,575,092.24
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets	XVI(11)		75,849.49
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred expenses	XVI(12)		28,836.15
Deferred tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>12,149,605,487.69</b>	11,891,079,498.61
<b>Total assets</b>		<b>13,632,088,547.06</b>	13,540,044,144.34

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# BALANCE SHEET OF THE COMPANY

31 December 2022

(All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	Notes	31 December 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities held-for-trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	XVI(14)	<b>22,976,208.62</b>	33,925,784.09
Advances from customers			
Contract liabilities	XVI(15)	<b>24,173,111.03</b>	23,764,409.51
Employee benefits payable	XVI(16)		
Taxes payable	XVI(17)	<b>683,214.76</b>	410,928.33
Other payables	XVI(18)	<b>909,391.83</b>	409,568.47
Liabilities held for sale			
Non-current liabilities due within one year	XVI(19)		86,381.44
Other current liabilities			
<b>Total current liabilities</b>		<b>48,741,926.24</b>	58,597,071.84
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities	XVI(13)	<b>496,975,882.12</b>	633,556,691.91
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>496,975,882.12</b>	633,556,691.91
<b>Total liabilities</b>		<b>545,717,808.36</b>	692,153,763.75
<b>Owners' equity:</b>			
Share capital	XVI(20)	<b>1,413,506,378.00</b>	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	XVI(21)	<b>8,583,595,088.21</b>	8,436,541,414.86
Less: Treasury shares			
Other comprehensive income	XVI(22)	<b>1,491,982,474.20</b>	1,897,973,747.33
Special reserve			
Surplus reserve	XVI(23)	<b>628,168,219.37</b>	558,920,035.56
Retained Earnings	XVI(24)	<b>969,118,578.92</b>	540,948,804.84
<b>Total equity</b>		<b>13,086,370,738.70</b>	12,847,890,380.59
<b>Total liabilities and equity</b>		<b>13,632,088,547.06</b>	13,540,044,144.34

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# CONSOLIDATED INCOME STATEMENT

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2022	2021
<b>I. Total operating income</b>		<b>12,795,124,917.87</b>	11,671,593,523.47
Including: Operating income	V(49)	<b>12,795,124,917.87</b>	11,671,593,523.47
Interest income			
Premium earned			
Fee and commission income			
<b>II. Total operating costs</b>		<b>12,720,499,852.53</b>	11,687,911,735.46
Including: Operating cost	V(49)	<b>11,916,904,737.86</b>	10,477,171,518.32
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)	<b>20,370,240.77</b>	18,121,725.13
Selling expenses	V(51)	<b>108,768,268.48</b>	131,968,833.27
Administrative expenses	V(52)	<b>547,623,575.01</b>	483,915,651.95
Research and development expenses	V(53)	<b>576,251,544.72</b>	617,470,169.63
Finance cost	V(54)	<b>-449,418,514.31</b>	-40,736,162.84
Including: Interest expenses	V(54)	<b>153,074,603.42</b>	132,092,572.69
Interest income	V(54)	<b>442,027,156.82</b>	254,500,693.52
Add: Other income	V(55)	<b>129,516,534.94</b>	109,508,808.13
Investment income (loss expressed with "-")	V(56)	<b>618,382,016.39</b>	40,205,723.66
Including: Income from investment in associates and joint ventures	V(56)	<b>633,032,770.34</b>	11,966,548.56
Derecognition income of financial assets measured at amortised cost			
Exchange gain (loss expressed with "-")			
Net gain from exposure hedging (loss expressed with "-")			
Gain from change in fair value (loss expressed with "-")	V(57)	<b>-23,368,731.75</b>	101,349,211.43
Loss on impairment of credit (loss expressed with "-")	V(58)	<b>20,637,396.96</b>	-36,905,728.89
Loss on impairment of assets (loss expressed with "-")	V(59)	<b>-123,040,789.01</b>	-99,044,532.95
Gains from disposal of asset (loss expressed with "-")	V(60)	<b>-1,904,345.08</b>	5,363,414.13
<b>III. Operating profit (loss expressed with "-")</b>		<b>694,847,147.79</b>	104,158,683.52
Add: Non-operating income	V(61)	<b>8,275,062.68</b>	18,758,139.54
Less: Non-operating expenses	V(62)	<b>2,974,975.19</b>	7,767,943.26
<b>IV. Total profit (total loss expressed with "-")</b>		<b>700,147,235.28</b>	115,148,879.80
Less: Income tax expense	V(63)	<b>-9,911,746.70</b>	10,959,588.14
<b>V. Net profit (net loss expressed with "-")</b>		<b>710,058,981.98</b>	104,189,291.66
(I) By continuity of operations			
1. Net profit from continuing operations (net loss expressed with "-")		<b>710,058,981.98</b>	104,189,291.66
2. Net profit from discontinued operations (net loss expressed with "-")			
(II) By ownership			
1. Net profit attributable to shareholders of the Company (net loss expressed with "-")		<b>688,391,027.99</b>	79,387,401.00
2. Gain or loss attributable to non-controlling interests (net loss expressed with "-")		<b>21,667,953.99</b>	24,801,890.66

# CONSOLIDATED INCOME STATEMENT

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2022	2021
<b>VI. Net other comprehensive income after tax</b>		<b>-417,825,630.03</b>	1,168,225,697.65
Net other comprehensive income after tax attributable to owners of the Company		<b>-412,472,782.29</b>	1,164,179,624.59
(I) Other comprehensive income that may not be subsequently reclassified to profit and loss		<b>-415,567,822.90</b>	1,165,034,081.59
1. Change in remeasurement of defined benefit plans		<b>-281,416.02</b>	-248,025.15
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		<b>3,442,906.24</b>	1,146,560.52
3. Change in fair value of investments in other equity instruments		<b>-418,729,313.12</b>	1,164,135,546.22
4. Change in fair value of own credit risk			
(II) Other comprehensive income will be subsequently reclassified to profit or loss		<b>3,095,040.61</b>	-854,457.00
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		<b>3,095,040.61</b>	-854,457.00
7. Others			
Net other comprehensive income after tax attributable to non-controlling interests		<b>-5,352,847.74</b>	4,046,073.06
<b>VII. Total comprehensive income</b>		<b>292,233,351.95</b>	1,272,414,989.31
Total comprehensive income attributable to owners of the Company		<b>275,918,245.70</b>	1,243,567,025.59
Total comprehensive income attributable to non-controlling interests		<b>16,315,106.25</b>	28,847,963.72
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		<b>0.4870</b>	0.0562
(II) Diluted earnings per share (RMB/share)		<b>0.4870</b>	0.0562

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# INCOME STATEMENT OF THE COMPANY

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2022	2021
<b>I. Operating income</b>	XVI(27)	<b>13,093,200.00</b>	44,352,320.90
Less: Operating cost	XVI(27)	<b>6,537,425.04</b>	37,206,427.19
Taxes and surcharges	XVI(28)	<b>104,273.05</b>	1,444,610.97
Selling expenses			
Administrative expenses	XVI(29)	<b>20,162,420.21</b>	19,853,810.46
Research and development expenses			
Finance cost	XVI(30)	<b>-24,164,900.23</b>	-22,662,801.88
Including: Interest expenses	XVI(30)	<b>265.23</b>	6,301,151.93
Interest income	XVI(30)	<b>24,095,301.46</b>	29,670,564.50
Add: Other income	XVI(31)	<b>142,792.31</b>	10,973.41
Investment income (loss expressed with "-")	XVI(32)	<b>667,386,373.71</b>	23,979,623.53
Including: Income from investment in associates and joint ventures	XVI(32)	<b>660,516,716.23</b>	11,387,712.43
Derecognition income of financial assets measured at amortised cost			
Net gain from exposure hedging (loss expressed with "-")			
Gain from change in fair value (loss expressed with "-")	XVI(33)	<b>14,925,000.00</b>	15,684,000.00
Loss on impairment of credit (loss expressed with "-")	XVI(34)	<b>-526,672.25</b>	-384,234.43
Loss on impairment of assets (loss expressed with "-")			
Gains from disposal of asset (loss expressed with "-")	XVI(35)		16,196,374.12
<b>II. Operating profit (loss expressed with "-")</b>		<b>692,381,475.70</b>	63,997,010.79
Add: Non-operating income	XVI(36)	<b>0.85</b>	27,718.01
Less: Non-operating expenses	XVI(37)	<b>2,388.50</b>	
<b>III. Total profit (total loss expressed with "-")</b>		<b>692,379,088.05</b>	64,024,728.80
Less: Income tax expense	XVI(38)	<b>-102,750.00</b>	-428,500.00
<b>IV. Net profit (net loss expressed with "-")</b>		<b>692,481,838.05</b>	64,453,228.80
(I) Net profit from continuing operations (net loss expressed with "-")		<b>692,481,838.05</b>	64,453,228.80
(II) Net profit from discontinued operations (net loss expressed with "-")			
<b>V. Net other comprehensive income after tax</b>		<b>-405,991,273.13</b>	1,159,306,988.22
(I) Other comprehensive income that may not be subsequently reclassified to profit and loss		<b>-405,991,273.13</b>	1,159,306,988.22
1. Change in remeasurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		<b>3,442,906.24</b>	1,146,560.52
3. Change in fair value of investments in other equity instruments		<b>-409,434,179.37</b>	1,158,160,427.70
4. Change in fair value of own credit risk			
(II) Other comprehensive income will be subsequently reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedges reserve			
6. Exchange differences arising from translation of foreign currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>286,490,564.92</b>	1,223,760,217.02
<b>VII. Earnings per share</b>			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# CONSOLIDATED CASH FLOW STATEMENT

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2022	2021
<b>I. Cash flows from operating activities</b>			
Cash received from sale of goods or rendering of services		<b>16,379,707,572.25</b>	17,986,787,852.39
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		<b>468,023,031.78</b>	643,932,919.39
Other cash receipts relating to operating activities	V(70)	<b>1,071,939,157.90</b>	924,056,761.97
<b>Sub-total of cash inflows from operating activities</b>		<b>17,919,669,761.93</b>	19,554,777,533.75
Cash paid for goods and services		<b>14,048,015,073.68</b>	13,390,652,916.20
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		<b>1,175,240,433.42</b>	1,177,701,721.46
Payments of taxes		<b>72,400,094.46</b>	28,021,435.94
Other cash payments relating to operating activities	V(70)	<b>608,980,971.26</b>	593,217,266.58
<b>Sub-total of cash outflows from operating activities</b>		<b>15,904,636,572.82</b>	15,189,593,340.18
<b>Net cash flows from operating activities</b>		<b>2,015,033,189.11</b>	4,365,184,193.57
<b>II. Cash flows from investing activities</b>			
Cash receipts from disposal of investments		<b>4,749,209,297.49</b>	1,204,000,000.00
Cash receipts from investment income		<b>115,140,984.44</b>	149,720,736.67
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>140,842,385.11</b>	3,091,101.55
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	V(70)	<b>7,517,306,100.79</b>	358,553,107.42
<b>Sub-total of cash inflows from investing activities</b>		<b>12,522,498,767.83</b>	1,715,364,945.64
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>240,729,920.18</b>	293,665,566.01
Cash paid for investments		<b>2,209,692,000.00</b>	3,451,375,210.48
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities	V(70)	<b>6,600,092,087.26</b>	1,352,266,061.25
<b>Sub-total of cash outflows from investing activities</b>		<b>9,050,514,007.44</b>	5,097,306,837.74
<b>Net cash flows from investing activities</b>		<b>3,471,984,760.39</b>	-3,381,941,892.10



# CONSOLIDATED CASH FLOW STATEMENT

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2022	2021
<b>III. Cash flows from financing activities</b>			
Cash receipts from receiving investments		286,000.00	7,534.52
Including: Cash received by subsidiaries from receiving investments made by minority interest		286,000.00	7,534.52
Cash receipts from borrowings obtained		4,426,409,495.80	3,642,998,132.80
Other cash receipts relating to financing activities	V(70)		83,200,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>4,426,695,495.80</b>	3,726,205,667.32
Cash paid for repayment of debts		3,959,282,445.30	4,631,400,000.00
Cash paid for dividends, profit distribution or interest expenses		335,555,704.24	357,372,134.01
Including: Dividends and profits paid by subsidiaries to non-controlling interests			
Other cash payments relating to financing activities	V(70)	10,000,581.94	3,249,100.65
<b>Sub-total of cash outflows from financing activities</b>		<b>4,304,838,731.48</b>	4,992,021,234.66
<b>Net cash flows from financing activities</b>		<b>121,856,764.32</b>	-1,265,815,567.34
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>44,049,015.05</b>	-19,732,285.47
<b>V. Net increase in cash and cash equivalents</b>		<b>5,652,923,728.87</b>	-302,305,551.34
Add: Beginning balance of cash and cash equivalents		5,417,061,556.97	5,719,367,108.31
<b>VI. Ending balance of cash and cash equivalents</b>		<b>11,069,985,285.84</b>	5,417,061,556.97

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# CASH FLOW STATEMENT OF THE COMPANY

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Notes	2022	2021
<b>I. Cash flows from operating activities</b>			
Cash received from sale of goods or rendering of services		15,733,420.72	28,950,419.51
Cash received from tax refund			
Other cash receipts relating to operating activities	XVI(44)	11,353,958.64	5,525,048.79
<b>Sub-total of cash inflows from operating activities</b>		<b>27,087,379.36</b>	34,475,468.30
Cash paid for goods and services		1,201,286.26	15,346,923.51
Cash paid to and on behalf of employees		10,859,668.77	11,604,586.04
Payments of taxes		498,031.21	1,990,737.97
Other cash payments relating to operating activities	XVI(44)	19,355,454.61	10,576,398.80
<b>Sub-total of cash outflows from operating activities</b>		<b>31,914,440.85</b>	39,518,646.32
<b>Net cash flows from operating activities</b>		<b>-4,827,061.49</b>	-5,043,178.02
<b>II. Cash flows from investing activities</b>			
Cash receipts from disposal of investments		640,000,000.00	670,000,000.00
Cash receipts from investment income		22,205,657.48	29,989,911.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,910.00	255,674,667.18
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	XVI(44)	915,099,930.56	844,991,924.38
<b>Sub-total of cash inflows from investing activities</b>		<b>1,577,308,498.04</b>	1,800,656,502.66
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		626,000.54	128,699,180.14
Cash paid for investments		40,000,000.00	600,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities	XVI(44)	550,000,000.00	500,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>590,626,000.54</b>	1,228,699,180.14
<b>Net cash flows from investing activities</b>		<b>986,682,497.50</b>	571,957,322.52
<b>III. Cash flows from financing activities</b>			
Cash receipts from receiving investments			
Cash receipts from borrowings obtained			
Other cash receipts relating to financing activities			
<b>Sub-total of cash inflows from financing activities</b>			600,000,000.00
Cash paid for repayment of debts			
Cash paid for dividends, profit distribution or interest expenses		194,615,421.05	241,204,084.54
Other cash payments relating to financing activities	XVI(44)	90,979.00	1,085,009.00
<b>Sub-total of cash outflows from financing activities</b>		<b>194,706,400.05</b>	842,289,093.54
<b>Net cash flows from financing activities</b>		<b>-194,706,400.05</b>	-842,289,093.54
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>127,206.97</b>	-644,113.51
<b>V. Net increase in cash and cash equivalents</b>		<b>787,276,242.93</b>	-276,019,062.55
Add: Beginning balance of cash and cash equivalents		66,939,423.22	342,958,485.77
<b>VI. Ending balance of cash and cash equivalents</b>		<b>854,215,666.15</b>	66,939,423.22

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	2022														
	Equity attributable to shareholders of the Company														
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Non-controlling interests	Total equity
I. Ending balance of last year	1,413,506,378.00				9,393,552,218.37			1,863,752,512.56		1,042,392,235.53		1,811,537,358.69	15,524,746,891.15	3,146,071,677.13	18,670,818,478.28
Add: Changes in accounting policies															
Correction of previous errors															
Business combination under common control															
Others															
II. Beginning balance of the year	1,413,506,378.00				9,393,552,218.37		1,863,752,512.56		1,042,392,235.53		1,811,537,358.69	15,524,746,891.15	3,146,071,677.13	18,670,818,478.28	
III. Increase/decrease for the year (decrease expressed with "-")					-17,570,699.88		-413,197,667.40		69,248,183.81		-424,803,848.13	63,292,755.66	15,601,629.94	79,865,885.60	
(I) Total comprehensive income							-412,472,782.29				688,391,027.99	275,916,245.70	16,315,106.25	292,233,81.95	
(II) Capital paid in and reduced by shareholders															
1. Ordinary shares paid by shareholders															
2. Capital paid by holders of other equity instruments															
3. Amount of share-based payments recognized in owners' equity															
4. Others					-17,570,699.88							-17,570,699.88	286,523.69	-17,284,086.19	
(III) Profit distribution															
1. Transfer to surplus reserve															
2. Transfer to provision for general risks															
3. Distribution to owners (or shareholders)															
4. Others					-17,570,699.88										
(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. Utilization in the year															
(VI) Others															
IV. Ending balance of the year	1,413,506,378.00				8,375,981,708.49		1,450,554,845.16		1,111,640,419.34		2,236,341,205.82	15,989,039,556.81	3,162,673,307.07	18,750,703,863.88	

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Equity attributable to shareholders of the Company										Total equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserve	Surplus reserve		Provision for general risks	Retained earnings	Sub-total
I. Ending balance of last year	1,413,505,375.00				9,303,822,000.75		689,020,433.90		1,035,850,912.65		1,975,789,791.39	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 combination under common control														
Others														
II. Beginning balance of the year	1,413,505,375.00				9,303,822,000.75		689,020,433.90		1,035,850,912.65		1,975,789,791.39	14,432,091,546.69	3,119,050,691.04	17,551,142,237.73
III. Increase/decrease for the year (decrease expressed with "-")					83,730,287.82		1,164,732,078.66		6,445,322.88		-182,292,434.70	1,092,655,254.46	270,020,886.00	1,119,676,240.55
(I) Total comprehensive income							1,164,732,078.66		6,445,322.88		79,387,471.00	1,245,567,026.59	288,847,563.72	1,272,414,889.31
(II) Capital paid in and reduced by shareholders					83,730,287.82							83,730,287.82	-1,626,977.63	81,903,309.99
1. Ordinary shares paid by shareholders														
2. Capital paid by holders of other equity instruments														
3. Amount of state-based payments recognised in owners' equity														
4. Others					83,730,287.82									
(III) Profit distribution									6,445,322.88		-241,897,361.63	-234,642,058.75	-1,826,977.63	81,903,309.99
1. Transfer to surplus reserve									6,445,322.88		-241,897,361.63	-234,642,058.75	-1,826,977.63	81,903,309.99
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 benefits														
5. Transfer from other comprehensive income to retained earnings														
6. Others														
(V) Special reserve														
1. Transfer in the year								19,765,461.51						16,476,789.02
2. Utilisation in the year								19,765,461.51						16,476,789.02
(VI) Others														
IV. Ending balance of the year	1,413,505,375.00				9,383,552,218.37		1,663,752,512.56		1,042,302,235.53		1,811,537,356.69	15,524,746,801.15	3,146,071,677.13	18,670,618,478.28

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	2022								Total equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other		Special reserve	Surplus reserve	Retained earnings
<b>I. Ending balance of last year</b>	1,413,506,378.00				8,436,541,414.86		1,897,973,747.33			558,920,035.56	540,946,804.84	12,847,880,380.59
Add: Changes in accounting policies												
Correction of previous errors												
Others												
<b>II. Beginning balance of the year</b>	1,413,506,378.00				8,436,541,414.86		1,897,973,747.33			558,920,035.56	540,946,804.84	12,847,880,380.59
<b>III. Increase/decrease for the year (decrease expressed with "-")</b>												
(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					147,053,673.35		-405,991,273.13			69,246,183.81	428,163,774.08	238,480,338.11
3. Amount of share-based payments recognised in owners' equity							-405,991,273.13				692,481,838.05	286,490,594.92
4. Others					147,053,673.35							147,053,673.35
(III) Profit distribution												
1. Transfer to surplus reserve										69,246,183.81	-264,312,063.97	147,053,673.35
2. Distribution to owners (or shareholders)										69,246,183.81	-69,246,183.81	-195,063,880.16
3. Others											-195,063,880.16	-195,063,880.16
(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												
<b>IV. Ending balance of the year</b>	1,413,506,378.00				8,583,595,088.21		1,491,982,474.20			628,166,219.37	969,118,578.92	13,086,370,738.70

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2022

(All amounts in RMB Yuan unless otherwise stated)

Item	2021							Total equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: Other comprehensive income		Special reserve	Surplus reserve	Retained earnings
I. Ending balance of last year	1,413,506,378.00				8,436,074,569.57		738,114,305.04		552,474,712.88	718,135,411.74	11,858,305,377.03
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,413,506,378.00				8,436,074,569.57		738,114,305.04		552,474,712.88	718,135,411.74	11,858,305,377.03
III. Increase/decrease for the year (decrease expressed with "-")					466,845.29		1,159,869,442.29		6,445,322.88	-177,166,606.90	989,865,003.56
(I) Total comprehensive income					466,845.29		1,159,869,442.29		6,445,322.88	-177,166,606.90	989,865,003.56
(II) Capital paid in and reduced by shareholders											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amount of share-based payments recognised in owners' equity											
4. Others					466,845.29						466,845.29
(III) Profit distribution											
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 period											
2. Utilisation in the period											
Others											
(VI) Ending balance of the year	1,413,506,378.00				8,436,541,414.86		1,897,973,747.33		558,920,035.56	540,949,804.84	12,847,890,380.59

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:  
**Chen Liping**

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

Head of accounting department:  
**Xie Weihong**

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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 whole 15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou and its headquarters located at whole 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, 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 upon change is RMB643,080,854.

According to the Approval for Guangzhou Shipyard International Company Limited to List Overseas for Issuing Foreign Stocks Capital (Zheng Jian Xu Ke [2014] No.117) issued by China Securities Regulatory Commission, the Company completed on 11 February 2014 the issuance of 345,940,890, 31,134,680 and 10,378,227 H Shares of RMB1 each 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 upon change is 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 made a non-public issuance of 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; made a non-public issuance of 68,313,338 ordinary shares of RMB1 each to Yangzhou Kejin Shipyard Co., Ltd. for purchase of its relevant shipbuilding assets; and made a non-public issuance of 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 2022 to 31 December 2022

(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"), Guangxi Wenchuan Heavy Industrial Co., Ltd. ("Guangxi Industrial"), 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"), Wan Sheng International Marine Limited ("Wan Sheng"), Wan Xing International Marine Limited ("Wan Xing"), Wan Xiang International Marine Limited ("Wan Xiang"), Wan Rui International Marine Limited ("Wan Rui") and Wan Yu International Marine Limited ("Wan Yu") and other 19 subsidiaries.

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 Scope of Consolidation".

## II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

### (1) Basis for preparation

These consolidated financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises – Basic Standards" and various specific accounting standards, the application guidelines for the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant requirements by the Ministry of Finance (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 Accounting Estimates" 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 2022 and is of the view that its existing financial position should be sufficient to meet the production and operation of the Group. 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 2022 to 31 December 2022

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

## III. SIGNIFICANT 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 deferred 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 Company's financial position as at 31 December 2022, the consolidated operating results and cash flows and the Company's operating results and cash flow for the year then ended.

### 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.

### 4. Reporting currency

The Company uses RMB as its reporting currency. The Company's subsidiaries may determine their reporting currencies based on the major economic environment in which they operate their business. Wah Shun, Wah Loong, Wan Sheng, Wan Xiang, Wan Xing, Wan Rui and Wan Yu use Hong Kong dollars as their reporting currency. The financial statements were presented in 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.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 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.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

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 Company in the owners' equity of the subsidiary, current gains/losses, other consolidated income and the part attributable to non-controlling 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 non-controlling interests" 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 non-controlling interests.

For the purchase of non-controlling interests 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 non-controlling 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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.

## 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.

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

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

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

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.

## (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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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.

### (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.

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## (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.

### 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.

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## 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
3 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.



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- (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
3 years- 5 years (5 years inclusive)	80
over 5 years	100

## 13. Inventories

### 1. Classification and cost 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.

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## 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.

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## (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.

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## 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	1.80-12.13
Machinery and equipment	6-20	3-10	4.50-16.17
Transportation equipment	10-15	3-10	6.00-9.70
Other equipment	3-50	3-10	1.80-32.33

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## 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.

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

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.

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## 22. Long-term deferred expenses

Long-term deferred expenses represent each expense that has been expensed by the Group and has an amortization period of more than one year. Long-term deferred expenses are amortized evenly over the benefit period of the expense item. For Long-term deferred 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 deferred 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

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## 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.

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.



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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.

## 27. **Contract assets and contract liabilities**

In the contract between the Group and the customer, the Group 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 Group 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 Group has received a consideration (or an amount of consideration that is due) from the customer is presented as contract liabilities. When the Group fulfills its obligation to transfer goods or provide services to customers, the contract liabilities are recognized as revenue.

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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 "asset 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.

### 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.

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## 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 by instalments over the useful life of the related assets using the average useful life 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 income 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 expenses 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 interest subsidies for policy-related preferential loans**

Where the Group has obtained interest subsidies for policy-related preferential loans, 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 relevant loan expenses 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 corresponding interest subsidy is utilised to offset the relevant loan expenses.

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.

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## 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 and the tax bases.

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 applicable tax rates that are expected to apply to the period when the relevant asset is realised or the relevant 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 average useful life 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 ownership of 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.

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## (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 Group; 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 2022 to 31 December 2022

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

## 2. The Group 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. Other 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

### 1. Classification of hedging

- (1) Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (except foreign exchange risk).
- (2) Cash flow hedge is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.
- (3) Hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. Net investment in a foreign operation is the share of interest in the net asset of the foreign operation.

### 2. Designation of the hedge relationship and recognition of the effectiveness of hedging

At the inception of a hedge relationship, the Group formally designates the hedge relationship and documents the hedge relationship, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the nature and quantity of the hedging instrument, the nature and quantity of the hedged item, the nature of the risk being hedged, the type of hedging and how the Group will assess the hedging instrument's effectiveness. Hedging instrument's effectiveness means the degree of the change of fair value and cash flow of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

The hedge is assessed by the Group for effectiveness on an ongoing basis and judged whether it meets the requirements for the effectiveness of using hedge accounting throughout the accounting periods for which the hedging relationship was designated. Provided the discontent of the requirements, the application of a hedge shall be terminated.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

The application of hedge accounting shall meet the following requirements on the effectiveness of the hedge:

- (1) There is an economic relationship between the hedged item and the hedging instrument.
- (2) The effect of credit risk does not dominate the value changes that result from that economic relationship.
- (3) The appropriate hedge ratio will not cause the imbalance of relative weight between the hedged item and the hedging instrument, thus generating accounting results inconsistent with the hedge accounting objectives. If the hedge ratio is no longer inappropriate, but the hedge risk management objectives do not change, the amount of the hedged item or the hedging instrument shall be adjusted, so that the hedge ratio can re-meet the requirements on the effectiveness.

### 3. **Criteria for hedge accounting**

#### (1) *Fair value hedges*

The change in the fair value of a hedging derivative is recognized in the current profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recognized in the current profit or loss, and also adjusts the carrying amount of the hedged item.

For fair value hedges relating to financial instruments carried at amortized cost, the adjustment to carrying amount is amortized through the current profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to the current profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the current profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the current profit or loss. The changes in the fair value of the hedging instrument are also recognized in the current profit or loss.

#### (2) *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while the ineffective portion is recognized immediately in the current profit or loss.

Amounts taken to other comprehensive income are transferred to the current profit or loss when the hedged transaction affects the current profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability (or originally recognized in other comprehensive income, and transferred in the same period as the profit and loss is affected by the non-financial assets and non-financial debts, the amounts shall be included in the current profit or loss).

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognized in other comprehensive income are transferred to the current profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in there until the forecast transaction or firm commitment affects the current profit or loss.

#### (3) *Hedges of a net investment in a foreign operation*

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the current profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the current profit or loss.

### 34. **Segment reports**

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.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 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 available on the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the relevant asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the relevant 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.

For assets and liabilities that are measured at fair value and recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at each balance sheet date.

## 36. Other significant accounting policies and accounting estimates

When preparing financial statements, the management of the Group needs to use estimations and assumptions, 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 key assumptions and uncertain factors 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 carry a significant risk of causing significant adjustment to the book value of assets and liabilities for next accounting 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 to be incurred when the project is completed. If the actual selling price or costs are different from previous estimates, the management would adjust the net realisable value accordingly. Therefore, the result estimated according to current experience would be different from the actual result, 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 of estimate change.

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

The Group depreciates or amortizes fixed assets 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.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 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. Other non-current assets other than 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 asset group exceeds its recoverable amount (i.e., the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from it). 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. During the estimation of the present value of future cash flow, management must estimate the expected future cash flows from the asset or asset group 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.

## 7. **Measurement of defined benefit plan obligations**

The Group has recognized the supplementary retirement benefits of defined benefit plans as a liability. The estimated amount of such benefit expenses and liabilities shall be calculated and paid based on various assumptions. These assumptions include the discount rate, the growth rate of benefit expenses during relevant periods and other factors. Deviations arising between actual results and actuarial assumptions will affect the accuracy of relevant accounting estimates. Although the management believes that the above assumptions are reasonable, any changes in such assumptions will still affect the amount of estimated liabilities for relevant supplementary endowment insurance and other unplanned benefit plans.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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

There is no changes in the Group's significant accounting policy for this period.

### 2. Changes in significant accounting estimates

There is no changes in the Group's significant accounting 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	25%, 20%, 15%
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%
Guangxi Heavy Industrial	20.00%
CSSC Internet	15.00%
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%
Wan Sheng	16.50%
Wan Xing	16.50%
Wan Xiang	16.50%
Wan Rui	16.50%
Wan Yu	16.50%

Other explanations: Wah Shun, Wah Loong, Wan Sheng, Wan Xing, Wan Xiang, Wan Rui and Wan Yu, which are incorporated in Hong Kong, enforce Hong Kong profits tax at 16.50%.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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 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.
- (3) 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) Huangpu Wenchong obtained the Hi-tech Enterprise Certificate on 20 December 2021, with the Certificate No.: GR202144007063, which is valid until 19 December 2024. Huangpu Wenchong paid its enterprise income tax at a rate of 15%.
- (2) Wenchong Shipyard obtained the Hi-tech Enterprise Certificate on 2 December 2022, with the Certificate No.: GR202244010062, which is valid until 1 December 2025. Wenchong Shipyard paid its enterprise income tax at a rate of 15%.
- (3) Wenchuan Heavy Industry obtained the Hi-tech Enterprise Certificate on 31 December 2021, with the Certificate No.: GR202144012793, which is valid until 30 December 2024. Wenchuan Heavy Industry paid its enterprise income tax at a rate of 15%.
- (4) CSSC Internet obtained the Hi-tech Enterprise Certificate on 20 December 2021, with the Certificate No.: GR202144002423, which is valid until 19 December 2024. CSSC Internet paid its enterprise income tax at a rate of 15%.
- (5) CSSC New Energy, Guangxi Heavy Industrial, Zhanjiang Nanhai, Wenchong Bingshen, Xingji, HuaCheng and HuaXin are small low-profit enterprises, according to the Announcement of the State Administration of Taxation No. 8 of 2021 "Announcement on Matters Relating to the Implementation of Preferential Income Tax Policies to Support the Development of Small Low-Profit Enterprises and Individual Entrepreneurs", from 1 January 2021 to 31 December 2022, the portion of the annual taxable income of small low-profit enterprises not exceeding RMB1 million will be reduced by 12.5% of the taxable income and subject to enterprise income tax at a tax rate of 20%.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	27,083.98	26,324.55
Digital currency		
Bank deposits	11,069,958,201.86	5,417,035,232.42
Other cash at bank and on hand	3,743,786,475.45	4,143,341,806.60
<b>Total</b>	<b>14,813,771,761.29</b>	<b>9,560,403,363.57</b>
Including: Deposit in finance company	6,203,367,651.89	6,191,940,179.15
Total amount deposited overseas	43,931,096.23	2,733,537.07

Other explanations: The Group's funds deposited overseas as at the end of the year are deposits of the subsidiaries established in Hong Kong.

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

Items	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	3,546,646,000.00	3,880,000,000.00
Deposit for bank acceptance bills	476,964.58	8,875,179.97
Deposit for letters of guarantee and letters of credit	1,099,400.00	8,966,532.49
Special housing fund for employees	17,771,472.60	17,635,623.56
Interest on fixed deposits	177,792,638.27	227,864,470.58
<b>Total</b>	<b>3,743,786,475.45</b>	<b>4,143,341,806.60</b>

### (2) Financial assets held-for-trading

#### 1. Types of financial assets held-for-trading

Items	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	286,739.67	3,102,524,392.16
Including: Investment in debt instruments		
Investments in equity instruments	286,739.67	1,863,392.16
Entrusted wealth management		3,100,661,000.00
Financial assets designated at fair value through profit or loss	29,586,232.72	178,504,215.41
Including: Forward exchange contracts	29,586,232.72	178,504,215.41
<b>Total</b>	<b>29,872,972.39</b>	<b>3,281,028,607.57</b>

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

Items	Fair value at the end of the year	Fair value at the beginning of the year
Listed	286,739.67	1,863,392.16
Unlisted	29,586,232.72	3,279,165,215.41
<b>Total</b>	<b>29,872,972.39</b>	<b>3,281,028,607.57</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

- (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)/number of years of discount rate.

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

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

## (3) Notes receivable

### 1. Classification of notes receivable

Items	Ending balance	Beginning balance
Bank acceptance bills	13,400,688.56	13,695,748.00
Finance company acceptance bills	72,619,209.77	14,335,512.05
Commercial acceptance bills		54,300,000.00
<b>Total</b>	<b>86,019,898.33</b>	<b>82,331,260.05</b>

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

Items	Pledged amount as at the end of the year
Bank acceptance bills	
Finance company acceptance bills	22,469,820.40
Commercial acceptance bills	
<b>Total</b>	<b>22,469,820.40</b>

### 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

Items	Amount derecognized as at the end of the year	Amount not derecognized as at the end of the year
Bank acceptance bills		13,000,000.00
Finance company acceptance bills		23,075,017.85
Commercial acceptance bills		
<b>Total</b>		<b>36,075,017.85</b>

### 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 2022 to 31 December 2022

(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 of provision (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts made on a collective basis	86,019,898.33	100.00			86,019,898.33
Including: Due within one year	86,019,898.33	100.00			86,019,898.33
<b>Total</b>	<b>86,019,898.33</b>				<b>86,019,898.33</b>

Type	Beginning balance				
	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
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
<b>Total</b>	<b>82,331,260.05</b>				<b>82,331,260.05</b>

## (4) Accounts receivable

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

Ageing	Ending balance	Beginning balance
Within one year	872,596,133.00	718,694,023.43
1-2 years	125,944,161.53	298,261,116.16
2-3 years	88,335,853.28	80,017,346.05
3-4 years	2,245,358.18	32,692,246.56
4-5 years	10,822,918.40	1,187,971.86
Over 5 years	1,187,971.86	
Sub-total	1,101,132,396.25	1,130,852,704.06
Less: provision for bad debts	33,078,524.31	53,120,040.30
<b>Total</b>	<b>1,068,053,871.94</b>	<b>1,077,732,663.76</b>

### 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

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(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		Carrying value
	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	1,101,132,396.25	100.00	33,078,524.31	3.00	1,068,053,871.94
	1,101,132,396.25	100.00	33,078,524.31	3.00	1,068,053,871.94
<b>Total</b>	<b>1,101,132,396.25</b>	<b>100.00</b>	<b>33,078,524.31</b>		<b>1,068,053,871.94</b>

Type	Beginning balance				
	Book balance		Provision for bad debts		Carrying value
	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
<b>Total</b>	<b>1,130,852,704.06</b>	<b>100.00</b>	<b>53,120,040.30</b>		<b>1,077,732,663.76</b>

(1) Accounts receivable with provision for bad debts made on an individual basis

None.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

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

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Related Parties portfolio	38,743,985.94		
Portfolio of government units and public institutions	254,359,597.18		
Ageing portfolio	808,028,813.13	33,078,524.31	4.09
<b>Total</b>	<b>1,101,132,396.25</b>	<b>33,078,524.31</b>	

The details of the Ageing portfolio are as follows:

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within 1 year (1 year inclusive)	643,317,391.14	667,483.59	0.10
1 to 2 years	98,412,445.73	9,841,244.56	10.00
2 to 3 years	61,413,958.45	18,424,187.54	30.00
3 to 4 years	1,959,212.90	1,567,370.32	80.00
4 to 5 years	1,737,833.05	1,390,266.44	80.00
Over 5 years	1,187,971.86	1,187,971.86	100.00
<b>Total</b>	<b>808,028,813.13</b>	<b>33,078,524.31</b>	

4. *Provision for bad debts provision accrued, reversed or recovered during the period*

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	53,120,040.30	-20,041,515.99			33,078,524.31
<b>Total</b>	<b>53,120,040.30</b>	<b>-20,041,515.99</b>			<b>33,078,524.31</b>

5. *Accounts receivable actually written-off during the period*

None.

6. *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	233,810,109.87	21.23	
Unit 2	158,625,675.62	14.41	2,042,738.11
Unit 3	142,107,000.00	12.91	
Unit 4	69,343,177.35	6.30	
Unit 5	42,291,689.65	3.84	12,687,506.90
<b>Total</b>	<b>646,177,652.49</b>	<b>58.69</b>	<b>14,730,245.01</b>

7. *Accounts receivables derecognized arising from transfer of financial assets*

None.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

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

None.

## (5) Receivable financing

### 1. Receivable financing

Item	Ending balance	Beginning balance
Notes receivable	13,194,089.30	43,060,494.00
Accounts receivable	98,694,456.50	149,795,346.34
<b>Total</b>	<b>111,888,545.80</b>	<b>192,855,840.34</b>

Other description: 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 "Receivable financing."

### 2. Changes in receivable financing and fair value changes in the current period

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	43,060,494.00	778,569,139.79	808,435,544.49		13,194,089.30	
Accounts receivable	149,795,346.34		51,100,889.84		98,694,456.50	
<b>Total</b>	<b>192,855,840.34</b>	<b>727,468,249.95</b>	<b>808,435,544.49</b>		<b>111,888,545.80</b>	

### 3. Provision for impairment of receivable financing

Type	Change in the year				Ending balance
	Beginning balance	Provision made	Recovered or reversed	Offset or written off	
Provision for impairment of accounts receivable	11,271.72	33,656.09			44,927.81
<b>Total</b>	<b>11,271.72</b>	<b>33,656.09</b>			<b>44,927.81</b>

## (6) Prepayments

### 1. Ageing of prepayments

Ageing	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	2,009,553,948.78	69.48	1,753,864,714.61	81.59
1 to 2 years	663,058,322.62	22.93	3,702,381.84	0.17
2 to 3 years	2,680,693.04	0.09	14,683,597.64	0.68
Over 3 years	216,795,432.13	7.50	377,407,957.82	17.56
<b>Total</b>	<b>2,892,088,396.57</b>	<b>100.00</b>	<b>2,149,658,651.91</b>	<b>100.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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 Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	410,191,572.06	233,128,340.65	8.06	1 to 2 years	Large equipment received in batches and inspected and accepted
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	112,258,035.89	101,258,035.89	3.50	1 to 2 years, 2 to 3 years and over 3 years	Large equipment received in batches and inspected and accepted
Hudong Heavy Machinery Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	529,134,258.48	44,019,058.48	1.52	1 to 2 years	Large equipment received in batches and inspected and accepted
Shanghai Ling Yao Ship Engineering Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	83,994,620.69	34,674,620.69	1.20	1 to 2 years	Large equipment received in batches and inspected and accepted
MTU Asia Pte. Ltd.	Unrelated party	29,913,617.97	29,913,617.97	1.03	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	1.00	Over 3 years	Large equipment received in batches and inspected and accepted
Mhwrith Offshore Petroleum Engineering (SHANGHAI) Co., Ltd.	Unrelated party	28,604,070.00	28,604,070.00	0.99	1 to 2 years	Large equipment received in batches and inspected and accepted
Hua Hai Equipment & Engineering Company (華海設備工程有限公司)	Unrelated party	24,285,039.21	22,796,195.54	0.79	1 to 2 years	Large equipment received in batches and inspected and accepted
Wartsila Services (Shanghai) Ltd. (瓦錫蘭維修服務(上海)有限公司)	Unrelated party	40,565,585.23	20,105,455.00	0.70	1 to 2 years and 2 to 3 years	Large equipment received in batches and inspected and accepted
IHI POWER SYSTEMS CO LTD	Unrelated party	72,106,691.82	17,176,158.36	0.59	1 to 2 years	Large equipment received in batches and inspected and accepted
Dalian CRRC Diesel Engine Special Equipment Co., Ltd.	Unrelated party	12,480,000.00	12,480,000.00	0.43	Over 3 years	Large equipment received in batches and inspected and accepted
<b>Total</b>		<b>1,372,387,913.35</b>	<b>573,009,974.58</b>	<b>19.81</b>		

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. Top five prepayments by supplier based on ending balance

Name of the entity	Ending balance	Percentage of total ending balance of advances to suppliers (%)
Hudong Heavy Machinery Co., Ltd.	529,134,258.48	18.30
China Shipbuilding Trading Co., Ltd.	410,191,572.06	14.18
China National Shipbuilding Equipment & Materials Co., Ltd.	315,901,027.82	10.92
Wuhan Boaster Shipbuilding Equipment & Materials Co., Ltd. (武漢寶斯達船舶物資有限公司)	135,940,231.47	4.70
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	112,258,035.89	3.88
<b>Total</b>	<b>1,503,425,125.72</b>	<b>51.98</b>

## (7) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividend receivable		
Other receivables	60,834,609.19	94,550,370.96
<b>Total</b>	<b>60,834,609.19</b>	<b>94,550,370.96</b>

Other receivables:

### (1) Disclosure by ageing

Ageing	Ending balance	Beginning balance
Within one year	27,355,533.81	35,946,659.62
1 to 2 years	22,121,885.96	16,515,496.36
2 to 3 years	6,646,877.48	42,492,950.51
3 to 4 years	4,894,722.51	463,381.10
4 to 5 years	103,419.00	19,178.36
Over 5 years	104,178.36	134,250.00
Sub-total	61,226,617.12	95,571,915.95
Less: provision for bad debts	392,007.93	1,021,544.99
<b>Total</b>	<b>60,834,609.19</b>	<b>94,550,370.96</b>

### (2) 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 of provision (%)	
Provision for bad debts made on an individual basis	131,780.00	0.22	131,780.00	100.00	
Including: Other receivables of which the credit risk has significantly increased since initial recognition	131,780.00	0.22	131,780.00	100.00	
Provision for bad debts made on a collective basis	61,094,837.12	99.78	260,227.93	0.43	60,834,609.19
Including: Other receivables of which the credit risk has not significantly increased since initial recognition	61,094,837.12	99.78	260,227.93	0.43	60,834,609.19
<b>Total</b>	<b>61,226,617.12</b>	<b>100.00</b>	<b>392,007.93</b>		<b>60,834,609.19</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Type	Book balance		Beginning balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis					
Including: Other receivables of which the credit risk has significantly increased since initial recognition					
Provision for bad debts made on a collective basis	95,571,915.95	100.00	1,021,544.99	1.07	94,550,370.96
Including: Other receivables of which the credit risk has not significantly increased since initial recognition	95,571,915.95	100.00	1,021,544.99	1.07	94,550,370.96
<b>Total</b>	<b>95,571,915.95</b>	<b>100.00</b>	<b>1,021,544.99</b>		<b>94,550,370.96</b>

1) *Other receivables with provision for bad debts made on an individual basis*

Name	Ending balance			Reason for the provision
	Book balance	Provision for bad debts	Percentage of provision (%)	
Shenzhen Gangwan Energy Co., Ltd.	120,000.00	120,000.00	100.00	Unable to recover
Tianjin Smit Precision Instrument Co., Ltd.	4,500.00	4,500.00	100.00	Unable to recover
Chengdu Hongshengda Electromechanical Equipment Co., Ltd.	4,100.00	4,100.00	100.00	Unable to recover
Shenzhen Wanruian Technology Co., Ltd.	1,680.00	1,680.00	100.00	Unable to recover
Botou Jiatai Machinery Equipment Manufacturing Co., Ltd.	1,500.00	1,500.00	100.00	Unable to recover
<b>Total</b>	<b>131,780.00</b>	<b>131,780.00</b>		

2) *Other receivables with provision for bad debts made on a collective basis*

Name	Ending balance		Percentage of provision (%)
	Other receivables	Provision for bad debts	
Portfolio of deposit and security deposit that are not past due	42,212,692.10		
Portfolio of retained reserve and employee loans	12,027,217.94		
Related parties portfolio within the scope of consolidation of group	2,064,848.72		
Portfolio of government units and public institutions	277,202.84		
Ageing portfolio	4,512,875.52	260,227.93	5.77
<b>Total</b>	<b>61,094,837.12</b>	<b>260,227.93</b>	

## NOTES TO THE FINANCIAL STATEMENTS

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

The details of the ageing portfolio are as follows:

Name	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within 1 year (1 year inclusive)	3,934,678.16	2,034.37	0.05
1 to 2 years			
2 to 3 years	438,000.00	131,400.00	30.00
3 to 4 years			
4 to 5 years	67,019.00	53,615.20	80.00
Over 5 years	73,178.36	73,178.36	100.00
<b>Total</b>	<b>4,512,875.52</b>	<b>260,227.93</b>	

### (3) Provision for bad debts

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	
Beginning Balance	898,587.10	122,957.89		1,021,544.99
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	-896,554.73	135,237.67	131,780.00	-629,537.06
Reversed during the year				
Offset during the year				
Written off during the year				
Other changes				
<b>Ending balance</b>	<b>2,032.37</b>	<b>258,195.56</b>	<b>131,780.00</b>	<b>392,007.93</b>

Changes in book balance of other receivables are as follows:

Book balance	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	
Beginning balance	95,431,718.59	140,197.36		95,571,915.95
Beginning balance for the current year				
--Transfer to stage 2				
--Transfer to stage 3				
--Transfer back to stage 2				
--Transfer back to stage 1				
Increased during the year	-34,915,078.83	438,000.00	131,780.00	-34,345,298.83
Derecognised during the year				
Other changes				
<b>Ending balance</b>	<b>60,516,639.76</b>	<b>578,197.36</b>	<b>131,780.00</b>	<b>61,226,617.12</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

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

Type	Change in the year				Ending balance
	Beginning balance	Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts of other receivables	1,021,544.99	-629,537.06			392,007.93
<b>Total</b>	1,021,544.99	-629,537.06			392,007.93

**(5) Other receivables actually written off during the year**

None.

**(6) Breakdown of other receivables by nature**

Nature of amount	Book balance as at the end of the year	Book balance as at the beginning the year
Refundable deposit	42,212,692.10	73,094,545.98
Temporary payments receivables		98,138.36
Reserve funds	12,027,217.94	3,421,654.18
Other current accounts	6,986,707.08	18,957,577.43
<b>Total</b>	61,226,617.12	95,571,915.95

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

Name of entity	Nature of amount	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debt
South China Sea Institute of Oceanology, CAS	Refundable deposit	14,359,000.00	1-2 years	23.45	
Guangxin Shipbuilding & Heavy Industry Co. Ltd. (廣新海事重工股份有限公司)	Refundable deposit	8,000,000.00	2-4 years	13.07	
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	1-2 years	6.47	
Guangdong Yuanyang Transportation Co., Ltd.	Other current accounts	1,369,655.52	Within 1 year	2.24	
Guangdong Talent Valley Industrial Investment Co., Ltd.	Refundable deposit	1,319,850.00	1-2 years	2.16	
<b>Total</b>		29,008,505.52		47.39	

**(8) Other receivables related to government grants**

None.

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

None.

**(10) Transfer of other receivables that continue to involve amounts of assets and liabilities formed**

None.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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/ performance cost	Carrying value	Book balance	Provision for impairment of inventories/ performance cost	Carrying value
Raw materials	727,613,766.74	4,916,664.18	722,697,102.56	616,939,091.43	4,948,909.35	611,990,182.08
Work in progress	2,710,886,813.34	125,259,775.63	2,585,627,037.71	3,095,943,217.47	197,609,487.20	2,898,333,730.27
Contract performance cost	1,045,286,680.14		1,045,286,680.14	1,412,577,147.60		1,412,577,147.60
Goods in transit	56,959.18	56,959.18		56,959.18	56,959.18	
<b>Total</b>	<b>4,483,844,219.40</b>	<b>130,233,398.99</b>	<b>4,353,610,820.41</b>	<b>5,125,516,415.68</b>	<b>202,615,355.73</b>	<b>4,922,901,059.95</b>

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

Item	Beginning balance	Increase for the year		Decrease for the year		Ending balance
		Provision made	Others	Reversal or writing-off	Others	
Raw materials	4,948,909.35			32,245.17		4,916,664.18
Work in progress	197,609,487.20	123,006,306.25		195,356,017.82		125,259,775.63
Goods in transit	56,959.18					56,959.18
<b>Total</b>	<b>202,615,355.73</b>	<b>123,006,306.25</b>		<b>195,388,262.99</b>		<b>130,233,398.99</b>

### 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
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 amount of 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 2022 to 31 December 2022

(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	1,226,644,965.39		1,226,644,965.39	1,993,902,556.01		1,993,902,556.01
Contract assets related to steel structures	594,662,750.10		594,662,750.10	505,405,384.57		505,405,384.57
Outstanding warranties previously included in accounts receivable	472,953,383.80		472,953,383.80	43,135,618.75		43,135,618.75
<b>Total</b>	<b>2,294,261,099.29</b>		<b>2,294,261,099.29</b>	<b>2,542,443,559.33</b>		<b>2,542,443,559.33</b>

### 2. Amount and reason for significant changes in carrying values during the reporting period

Item	Amount of change	Reason for change
Contract assets related to shipbuilding	-767,257,590.62	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. Outstanding warranties previously included in accounts receivable were recognised.
Contract assets related to steel structures	89,257,365.53	
Outstanding warranties for accounts receivable	429,817,765.05	
<b>Total</b>	<b>-248,182,460.04</b>	

### 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	132,961,930.80	177,202,368.55
Prepaid enterprise income tax	1,772,068.85	617,090.36
<b>Total</b>	<b>134,733,999.65</b>	<b>177,819,458.91</b>



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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## (11) Long-term receivables

### 1. Information on long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate (%)
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value	
Finance lease payments	394,141,383.65		394,141,383.65	292,606,935.09		292,606,935.09	2-2.42
Including: unrealized financing income	20,111,338.51		20,111,338.51	15,726,981.93		15,726,981.93	
Receipt in instalments for sale of goods	1,813,889,151.03	55,494,582.40	1,758,394,568.63	2,146,053,464.69	67,520,400.84	2,078,533,063.85	1.78-9.7
<b>Total</b>	<b>2,208,030,534.68</b>	<b>55,494,582.40</b>	<b>2,152,535,952.28</b>	<b>2,438,660,399.78</b>	<b>67,520,400.84</b>	<b>2,371,139,998.94</b>	

### 2. Provision for bad debts accrued

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		67,520,400.84		67,520,400.84
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				
Reversed during the year				
Offset during the year				
Written off during the year				
Other changes		-12,025,818.44		-12,025,818.44
<b>Ending balance</b>		<b>55,494,582.40</b>		<b>55,494,582.40</b>

Other description: Other decrease in provision for bad debts made for long-term receivables is due to derecognition of relevant debts.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (12) Long-term equity investments

### 1. Breakdown of long-term equity investments

Investee	Beginning balance	Increase in investment	Decrease in investment	Change for the year				Ending balance	Provision for impairment
				Investment gain or loss recognised using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit		
1. Joint ventures									
2. Associates									
Guangzhou Shipyard International Company Limited	4,938,620,209.22			628,660,395.76	3,442,906.24	-17,571,238.09		5,553,152,273.13	
CSSC Huangpu Zhengji Offshore Engineering Co., Ltd.	13,237,392.25			-616,008.45				12,621,383.80	
Guangzhou Xinhang Human Resources Service Co., Ltd.	821,307.71			261,131.08				1,082,438.79	
Shi Ludwen Shipbuilding Heavy Industry Co., Ltd. (德興德文船重工有限公司)		4,692,000.00		4,727,251.95		1,151.90		9,420,403.85	
Sub-total	4,952,678,909.18	4,692,000.00		633,032,770.34	3,442,906.24	-17,570,086.19		5,576,276,499.57	
<b>Total</b>	<b>4,952,678,909.18</b>	<b>4,692,000.00</b>		<b>633,032,770.34</b>	<b>3,442,906.24</b>	<b>-17,570,086.19</b>		<b>5,576,276,499.57</b>	

### 2. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	<b>5,576,276,499.57</b>	4,952,678,909.18
<b>Total</b>	<b>5,576,276,499.57</b>	4,952,678,909.18

## (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	<b>4,911,318,677.22</b>	5,480,001,529.79
<b>Total</b>	<b>4,911,318,677.22</b>	5,480,001,529.79

### 2. Analysis of other equity instruments

Item	Ending balance	Beginning balance
Listed	<b>4,883,174,322.15</b>	5,451,251,263.77
Including: China (except Hong Kong)	<b>4,845,786,728.48</b>	5,394,217,189.36
Unlisted	<b>28,144,355.07</b>	28,750,266.02
<b>Total</b>	<b>4,911,318,677.22</b>	5,480,001,529.79

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	2,900,598,561.63	1,982,575,760.52	4,883,174,322.15	2,901,754,058.93	2,549,497,204.84	5,451,251,263.77
CSSC	2,857,883,200.00	1,987,903,528.48	4,845,786,728.48	2,857,883,200.00	2,533,815,767.64	5,391,698,967.64
CMIC OCEAN EW TECH HOLDING CO., LTD	42,715,361.63	-5,327,767.96	37,387,593.67	42,715,361.63	14,318,712.78	57,034,074.41
Bank of Communications				1,155,497.30	1,362,724.42	2,518,221.72
Sub-total of unlisted	18,314,465.46	9,829,889.61	28,144,355.07	18,314,465.46	10,435,800.56	28,750,266.02
CSSC Finance Company Limited	5,828,000.00	18,080,154.43	23,908,154.43	5,828,000.00	17,655,371.96	23,483,371.96
Huangpu Hongshan Community Health Service Center	1,200,000.00	1,425,588.00	2,625,588.00	1,200,000.00	1,365,085.04	2,565,085.04
China Shipbuilding IT Co., Ltd.	800,000.00	-225,269.98	574,730.02	800,000.00	831,923.84	1,631,923.84
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46	485,156.38	865,196.84	380,040.46	519,158.94	899,199.40
Guangzhou Xinzhou Service Co., Ltd.	106,425.00	64,260.78	170,685.78	106,425.00	64,260.78	170,685.78
CSSC Heavy Equipment Co., Ltd.	10,000,000.00	-10,000,000.00		10,000,000.00	-10,000,000.00	
<b>Total</b>	<b>2,918,913,027.09</b>	<b>1,992,405,650.13</b>	<b>4,911,318,677.22</b>	<b>2,920,068,524.39</b>	<b>2,559,933,005.40</b>	<b>5,480,001,529.79</b>

### 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	6,718,766.94	1,989,232,688.09	5,327,767.96	1,329,159.61		
China CSSC Hold-ings Ltd.	6,524,847.48	1,987,903,528.48			Investments not held for trading	
CMIC OCEAN EW TECH HOLDING CO., LTD			5,327,767.96		Investments not held for trading	
Bank of Communications Co., Ltd.	193,919.46	1,329,159.61		1,329,159.61	Investments not held for trading	Disposal of the equity
Sub-total of unlisted	1,024,367.21	20,055,159.59	10,225,269.98			
CSSC Finance Company Limited	831,726.00	18,080,154.43			Investments not held for trading	
Huangpu Hongshan Community Health Service Center		1,425,588.00			Investments not held for trading	
China Shipbuilding IT Co., Ltd.			225,269.98		Investments not held for trading	
Guangzhou Wenchuan Industrial Co., Ltd.	152,016.21	485,156.38			Investments not held for trading	
Guangzhou Xinzhou Service Co., Ltd.	40,625.00	64,260.78			Investments not held for trading	
CSSC Heavy Equipment Co., Ltd.			10,000,000.00		Investments not held for trading	
<b>Total</b>	<b>7,743,134.15</b>	<b>2,009,287,847.68</b>	<b>15,553,037.94</b>	<b>1,329,159.61</b>		

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	<b>157,433,262.96</b>	157,433,262.96
2. Increase for the year		
3. Decrease for the year		
4. Ending balance	<b>157,433,262.96</b>	157,433,262.96
II. Accumulated depreciation and amortisation		
1. Beginning balance	<b>14,709,206.34</b>	14,709,206.34
2. Increase for the year	<b>6,537,425.04</b>	6,537,425.04
– Provision made or amortisation	<b>6,537,425.04</b>	6,537,425.04
3. Decrease for the year		
4. Ending balance	<b>21,246,631.38</b>	21,246,631.38
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	<b>136,186,631.58</b>	136,186,631.58
2. Carrying value at the beginning of the year	<b>142,724,056.62</b>	142,724,056.62

Other description:

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

Item	Ending balance	Beginning balance
Within China	<b>136,186,631.58</b>	142,724,056.62
Medium term (10-50 years)	<b>136,186,631.58</b>	142,724,056.62
<b>Total</b>	<b>136,186,631.58</b>	142,724,056.62

### 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 RMB136,186,631.58 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	73,875,417.69	In the process of obtaining ownership certificates
Component welding workshop	59,134,103.55	In the process of obtaining ownership certificates
Sanding and coating workshop	3,177,110.34	In the process of obtaining ownership certificates
<b>Total</b>	<b>136,186,631.58</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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

Item	Ending balance	Beginning balance
Fixed assets	<b>5,354,647,353.76</b>	4,740,623,077.95
Disposal of fixed assets		8,394.89
<b>Total</b>	<b>5,354,647,353.76</b>	4,740,631,472.84

### 2. Fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning 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
2. Increase for the year	39,974,279.58	98,390,480.25	1,010,272,925.39	12,642,594.38	1,161,280,279.60
– Additions		4,649,946.54		1,734,716.05	6,384,662.59
– Transfer from construction in progress	39,974,279.58	93,740,533.71	6,397,285.99	10,907,878.33	151,019,977.61
– Transfer from inventories			1,003,875,639.40		1,003,875,639.40
3. Decrease for the year	542,550.43	25,463,931.98	258,959,799.48	4,977,276.10	289,943,557.99
– Disposal or retirement	542,550.43	25,463,931.98	258,959,799.48	4,977,276.10	289,943,557.99
– Decrease in scope of consolidation					
4. Ending balance	3,290,399,643.07	2,443,149,444.75	2,459,373,372.67	213,809,522.94	8,406,731,983.43
II. Accumulated depreciation					
1. Beginning balance	1,030,678,153.03	1,301,479,518.62	264,305,494.65	150,582,953.91	2,747,046,120.21
2. Increase for the year	127,484,654.08	109,550,724.59	69,661,618.41	17,581,756.44	324,278,753.52
– Provision made	127,484,654.08	109,550,724.59	69,661,618.41	17,581,756.44	324,278,753.52
3. Decrease for the year	524,926.91	23,527,445.12	38,140,569.88	4,730,269.67	66,923,211.58
– Disposal or retirement	524,926.91	23,527,445.12	38,140,569.88	4,730,269.67	66,923,211.58
– Decrease in scope of consolidation					
4. Ending balance	1,157,637,880.20	1,387,502,798.09	295,826,543.18	163,434,440.68	3,004,401,662.15
III. Provision for impairment					
1. Beginning balance		2,752,545.73	44,899,190.51	74,327.42	47,726,063.66
2. Increase for the year					
3. Decrease for the year		40,912.88		2,183.26	43,096.14
– Disposal or retirement		40,912.88		2,183.26	43,096.14
4. Ending balance		2,711,632.85	44,899,190.51	72,144.16	47,682,967.52
IV. Carrying value					
1. Carrying value at the end of the year	2,132,761,762.87	1,052,935,013.81	2,118,647,638.98	50,302,938.10	5,354,647,353.76
2. Carrying value at the beginning of the year	2,220,289,760.89	1,065,990,832.13	1,398,855,561.60	55,486,923.33	4,740,623,077.95

Other description:

The depreciation of fixed assets recognised in profit or loss during the year is RMB324,278,753.52 (last year: RMB270,772,908.83).

Included in fixed assets added during the year is transfer from construction in progress of RMB151,019,977.61.

The transfer of inventories to fixed assets during the year was due to the sale of inventory ships by Huangpu Wenchong to its subsidiaries Huaxin and Wah Sheung, while Huaxin and Wah Sheung leased them out as fixed assets.

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### 3. Temporarily idle fixed assets

None.

### 4. Fixed assets leased out through operating leases

Item	Carrying value
Transportation vehicles	1,657,436,809.60
<b>Total</b>	<b>1,657,436,809.60</b>

### 5. Buildings and structures analysed by region and ageing

Item	Ending balance	Beginning balance
Within China	<b>2,132,761,762.87</b>	2,220,289,760.89
Including: Medium term (10-50 years)	<b>2,124,551,097.74</b>	2,219,837,597.56
Short term (within 10 years)	<b>8,210,665.13</b>	452,163.33
<b>Total</b>	<b>2,132,761,762.87</b>	<b>2,220,289,760.89</b>

### 6. Fixed assets without property ownership certificates

Item	Carrying value	Reasons for failing to obtain property certificate
Buildings and structures	9,243,335.96	Incomplete procedures, in progress

### 7. Disposal of fixed assets

Item	Ending balance	Beginning balance
Machinery and equipment		8,394.89
<b>Total</b>		<b>8,394.89</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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

Item	Ending balance	Beginning balance
Construction in progress	277,015,334.55	229,186,214.27
Construction materials		
<b>Total</b>	<b>277,015,334.55</b>	<b>229,186,214.27</b>

### 2. Construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Technology reform project	67,462,140.42		67,462,140.42	53,036,650.86		53,036,650.86
Supplementing and improvement of maritime engineering equipment production facilities in Longxue Factory	45,716,568.89		45,716,568.89	26,868,228.55		26,868,228.55
Residential project	35,805,659.15		35,805,659.15	35,651,749.35		35,651,749.35
Adaptation project for relocation of 200-ton gantry crane	24,440,244.27		24,440,244.27	2,911,375.15		2,911,375.15
Project implementation in advance	22,078,025.90		22,078,025.90	305,172.79		305,172.79
Project 8	21,218,786.30		21,218,786.30	47,986,658.81		47,986,658.81
Reconstruction of sinkage dock pit for repairing and berthing of 150 meters floating dock	20,047,828.97		20,047,828.97	14,801,665.88		14,801,665.88
Project 10	11,403,997.39		11,403,997.39	6,271,450.36		6,271,450.36
Project 9	9,137,643.83		9,137,643.83	34,488,995.01		34,488,995.01
Test device for light cutting gasification system	34,482.76	34,482.76		34,482.76		34,482.76
Other projects	19,704,439.43		19,704,439.43	6,829,784.75		6,829,784.75
<b>Total</b>	<b>277,049,817.31</b>	<b>34,482.76</b>	<b>277,015,334.55</b>	<b>229,186,214.27</b>		<b>229,186,214.27</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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 year

Name of project	Budget	Beginning balance	Increase in the year	Amount transfer to fixed assets in the year	Other decreased amount in the year	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 year	Rate of capitalisation of interest in the year (%)	Source of funding
Technology reform project	88,000,000.00	53,036,650.86	57,260,062.57	42,834,573.01		67,462,140.42	100.00	Under construction				Self-financed
Supplementing and improvement of maritime engineering equipment production facilities in Longyue Factory	683,000,000.00	26,868,228.55	37,651,912.36	18,803,572.02		45,716,568.89	91.22	Under construction				Self-financed/loan
Adaptation project for relocation of 200-ton gantry crane	29,600,000.00	2,911,375.15	21,528,869.12			24,440,244.27	82.57	Under construction				Self-financed
Project 8	453,000,000.00	47,986,658.81		26,767,872.51		21,218,786.30	100.00	Under construction				State-subsidized/Self-financed
Reconstruction of sinkage dock pit for repairing and berthing of 150 meters floating dock	29,800,000.00	14,801,665.88	14,356,974.58	9,110,811.49		20,047,828.97	97.85	Under construction				Self-financed
Project 10	26,100,000.00	6,271,450.36	6,960,157.65	1,827,610.62		11,403,997.39	70.49	Under construction				Self-financed
<b>Total</b>		151,876,029.61	137,757,976.28	99,344,439.65		190,289,586.24						

### 4. Provision for impairment of construction in progress in the period

Item	Provision in the period	Reasons for provision
Test device for light cutting gasification system	34,482.76	Discontinued construction
<b>Total</b>	<b>34,482.76</b>	

### (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	239,890,226.46	29,867.31	273,170,850.49
2. Increase for the year		56,718,678.58		56,718,678.58
– Increase in leases		56,718,678.58		56,718,678.58
3. Decrease for the year		2,730,577.09	29,867.31	2,760,444.40
– Maturity of leases		2,730,577.09	29,867.31	2,760,444.40
4. Ending balance	33,250,756.72	293,878,327.95		327,129,084.67
II. Accumulated depreciation				
1. Beginning balance	20,683,896.91	63,089,586.20	29,867.31	83,803,350.42
2. Increase for the year	6,364,372.44	55,820,295.94		62,184,668.38
– Provision made	6,364,372.44	55,820,295.94		62,184,668.38
3. Decrease for the year		2,730,577.09	29,867.31	2,760,444.40
– Maturity of leases		2,730,577.09	29,867.31	2,760,444.40
4. Ending balance	27,048,269.35	116,179,305.05		143,227,574.40
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	6,202,487.37	177,699,022.90		183,901,510.27
2. Carrying value at the beginning of the year	12,566,859.81	176,800,640.26		189,367,500.07

Other explanations: The depreciation of right-of-use assets recognized in the profit or loss during the year is RMB62,184,668.38 (last year: RMB36,245,678.10).



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(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	130,213,817.36	1,063,675.00	1,145,634,756.22
2. Increase for the year		7,824,228.69		7,824,228.69
– Additions		7,824,228.69		7,824,228.69
3. Decrease for the year				
4. Ending balance	1,014,357,263.86	138,038,046.05	1,063,675.00	1,153,458,984.91
II. Accumulated amortisation				
1. Beginning balance	160,007,866.54	51,325,835.09	684,555.44	212,018,257.07
2. Increase for the year	10,919,456.21	19,783,684.00	304,869.56	31,008,009.77
– Provision made	10,919,456.21	19,783,684.00	304,869.56	31,008,009.77
3. Decrease for the year				
4. Ending balance	170,927,322.75	71,109,519.09	989,425.00	243,026,266.84
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	843,429,941.11	66,928,526.96	74,250.00	910,432,718.07
2. Carrying value at the beginning of the year	854,349,397.32	78,887,982.27	379,119.56	933,616,499.15

Other explanations:

- (1) There were no intangible assets arising from internal research and development of the Company during the year.
- (2) The amortisation of intangible assets recognised in profit or loss during the year is RMB31,008,009.77 (last year: RMB28,728,148.28).
- (3) Land use rights analysed by region and term

Item	Ending balance	Beginning balance
Within China	843,429,941.11	854,349,397.32
Including: Medium term (10-50 years)	843,429,941.11	854,349,397.32
<b>Total</b>	<b>843,429,941.11</b>	<b>854,349,397.32</b>

### 2. Intellectual property rights with uncertain service life

None.

### 3. Single intellectual property rights with significant impact

None.

### 4. Intellectual property rights with restricted ownership or use right

None.

### 5. Land use rights without real estate certificates

None.

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## (19) Research and development expenses

Item	Beginning balance	Increase for the year		Decrease for the year		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 for the assembly and construction of gas hydrate drilling and production ship (Ocean Drilling)		44,243,619.08			44,243,619.08				
Research on technologies of design and building of two thousand tons self-propelled wind power platform		28,989,675.01			28,989,675.01				
Research on key technologies of design and building of intelligent support mothership		25,444,446.07			25,444,446.07				
Research on key construction technology of deep-water drilling vessels		21,152,743.71			21,152,743.71				
Ship advanced manufacturing process tooling research and development (Phase II)		17,165,970.10			17,165,970.10				
Research on key construction technology of 9500m <sup>3</sup> B-type multi-purpose gas carrier		16,932,105.22			16,932,105.22				
Research on key technologies of design and building of a 3000 ton maritime police ship		16,213,669.81			16,213,669.81				
DQ research of localized design and building technologies		15,979,553.03			15,979,553.03				
Research, application, and industrialization of intelligent manufacturing technology of steel pipe piles for offshore wind power		13,950,402.08			13,950,402.08				
Research on key technologies of design and construction of research and development, design, and construction of 3000TEU container vessels		13,857,866.45			13,857,866.45				
Research on key technologies of design and construction of 85000 tons new Panama bulk carrier		13,494,294.80			13,494,294.80				
Research on key technologies of design and construction of Shenzhen 3000-ton marine rights protection and enforcement ship		13,238,729.47			13,238,729.47				
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership		12,734,967.40			12,734,967.40				
Research on key technologies of design and construction of 32000-ton multi-purpose heavy lift ships		12,631,357.88			12,631,357.88				
Research on key technologies of design and construction of Hainan maritime large-scale patrol and rescue ship		12,566,756.96			12,566,756.96				
Research on key technologies of design and construction of a 3000-ton buoy ship		12,493,821.49			12,493,821.49				
Research on key technologies for the design and construction of gas hydrate drilling and production ship		11,872,604.51			11,872,604.51				
Research and application of integrated platform		11,156,034.11			11,156,034.11				
Research on key technologies of design and construction of Egypt 75T tugboat		10,992,114.10			10,992,114.10				
Application demonstration of precise support services for ship active power equipment		10,810,471.33			10,810,471.33				
Research on key technologies of design and construction of manboat		10,571,513.50			10,571,513.50				
Research on key technologies of design and construction of 4500m <sup>3</sup> trailing suction hopper dredger		9,808,897.51			9,808,897.51				
Research on key technologies of design and construction of 1080TEU container vessels		9,458,614.13			9,458,614.13				
Research on key technologies of design and construction of 5000m <sup>3</sup> LPG carrier		9,342,510.97			9,342,510.97				
Research on the key technology of added and modified of Marine Police Law Enforcement Ship		9,201,798.66			9,201,798.66				
Research on key technologies of design and construction of Evergreen 2300TEU vessel		7,782,581.46			7,782,581.46				
Research on construction technology of C-type tank for LNG carrier		7,214,113.14			7,214,113.14				
Research and development of advanced manufacturing process tooling for marine engineering equipment (Phase II)		6,835,336.40			6,835,336.40				
Industrial Internet Platform R&D Project		6,800,526.99			6,800,526.99				
Research on key technologies of 4B design and construction		6,682,228.93			6,682,228.93				

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From 1 January 2022 to 31 December 2022

(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		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 construction and installation technology of steel bridge of large highway interchange		6,565,416.78			6,565,416.78				
Research on new process technology of type 6 underwater acoustic ship		6,484,904.88			6,484,904.88				
Localization development and application verification of 1561 aluminium alloy (Russian series) and its supporting materials		6,402,430.63			6,402,430.63				
Research on key technologies for design and building of Dexiang 1900TEU container ship		6,325,736.63			6,325,736.63				
Research on key technologies of design and construction of Evergreen 1900TEU vessel		6,208,261.67			6,208,261.67				
Research on key process technologies of domestic boats		6,041,866.16			6,041,866.16				
Research on optimization and upgrade of 85000DWT bulk carrier		5,419,554.14			5,419,554.14				
Large-scale JV/JC research and production critical information infrastructure security controllable application demonstration		4,432,236.07			4,432,236.07				
4A research of new process		4,407,665.54			4,407,665.54				
Research on new welding processes and technologies for box dredgers and special ships (Phase I)		4,161,998.51			4,161,998.51				
Research on U-rib technology of steel bridges		4,160,265.12			4,160,265.12				
Research on parametric design technology based on steel bridges		4,127,954.50			4,127,954.50				
Research on key technologies of urban landscape pedestrian bridge construction and installation		4,037,684.14			4,037,684.14				
Key Technologies for the construction of offshore booster station foundation		3,921,400.12			3,921,400.12				
Development of independent new ship types		3,773,584.90			3,773,584.90				
Development and application of key technology of high-end underwater welding power source		3,583,534.75			3,583,534.75				
Research on steel structure construction technology for heavy duty wharf		3,367,792.11			3,367,792.11				
Development and demonstration application of deep-sea optical ALV system		3,343,267.44			3,343,267.44				
Research on precision control technology for bridge plate elements		3,250,709.11			3,250,709.11				
Research on key technologies for manufacturing the trailing pipe hanger of a trailing suction dredger		3,130,285.01			3,130,285.01				
Optimization of construction process for branch line container ships		3,088,357.32			3,088,357.32				
Research on key technologies of trailing suction dredger's mud gate		3,022,898.96			3,022,898.96				
Research on key technologies of manhole cover automation equipment		2,956,882.87			2,956,882.87				
Research on key technologies of pipe code automation equipment		2,730,350.96			2,730,350.96				
Test bench for B10 seawater pipeline system		2,712,247.64			2,712,247.64				
Research on anti-corrosion construction technology for offshore wind power pile foundation		2,661,457.80			2,661,457.80				
Research on key technologies and equipment development of 16MW offshore wind turbines		2,636,746.34			2,636,746.34				
Research on static shoulder stir friction welding technology for fillet weld of aluminum alloy ribbed wallboard		2,517,125.52			2,517,125.52				
Research on the manufacturing accuracy of steel pipe piles for offshore wind power foundations		2,494,870.32			2,494,870.32				
Research on the development and construction technology of heavy ships		2,484,047.84			2,484,047.84				
Research on transportation and storage technology of offshore wind power products		2,427,662.10			2,427,662.10				
Development and application demonstration of floating offshore wind power equipment		2,102,760.00			2,102,760.00				
Intellectual property capacity building		2,066,278.96			2,066,278.96				
Blockchain identification interpretation ship quality inspection		2,036,286.44			2,036,286.44				
Other projects		27,557,679.14			27,557,679.14				
<b>Total</b>		<b>576,251,544.72</b>			<b>576,251,544.72</b>				

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (20) Long-term deferred expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases	Ending balance
General tooling	20,631,150.74	5,471,632.10	4,916,063.28		<b>21,186,719.56</b>
Collective dormitory renovation project	11,335,540.98		1,162,619.64		<b>10,172,921.34</b>
High span roof restoration works	7,841,596.72		804,266.28		<b>7,037,330.44</b>
Canteen upgrading project	5,824,520.05		587,346.60		<b>5,237,173.45</b>
13-metre beam of Shipyard Division	5,033,448.74		862,876.92		<b>4,170,571.82</b>
Other projects	570,386.79	1,299,242.99	90,727.71		<b>1,778,902.07</b>
<b>Total</b>	<b>51,236,644.02</b>	<b>6,770,875.09</b>	<b>8,423,900.43</b>		<b>49,583,618.68</b>

## (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	<b>1,615,189,009.29</b>	<b>263,757,656.63</b>	1,636,466,945.46	264,850,237.38
Provision for impairment of assets	<b>220,343,675.16</b>	<b>39,042,596.41</b>	326,288,661.94	51,928,163.35
Estimated liabilities	<b>138,262,172.20</b>	<b>22,975,868.67</b>	130,900,198.10	22,417,370.43
Payroll for retiring employees	<b>120,600,000.00</b>	<b>18,159,000.00</b>	171,769,552.76	25,840,909.95
Change in fair value of investments in other equity instruments	<b>10,376,142.17</b>	<b>1,556,421.33</b>		
Change in fair value of financial instruments held-for-trading	<b>5,919,716.73</b>	<b>887,957.51</b>		
<b>Total</b>	<b>2,110,690,715.55</b>	<b>346,379,500.55</b>	2,265,425,358.26	365,036,681.11

### 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	<b>2,002,781,792.30</b>	<b>499,207,621.70</b>	2,559,933,005.39	637,371,527.58
Change in fair value of financial instruments held-for-trading	<b>27,565,646.99</b>	<b>4,134,847.04</b>	178,721,282.17	26,849,292.34
<b>Total</b>	<b>2,030,347,439.29</b>	<b>503,342,468.74</b>	2,738,654,287.56	664,220,819.92

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	46,617,216.56	45,726,015.30
Deductible tax loss	587,563,911.56	353,158,752.59
<b>Total</b>	<b>634,181,128.12</b>	<b>398,884,767.89</b>

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

Year	Ending balance	Beginning balance	Notes
2022		1,033,109.02	
2023	4,673,189.30	22,228,646.89	
2024	28,874,865.51	32,664,360.60	
2025	38,134,152.61	81,732,291.22	
2026	6,947,675.67	6,947,675.67	
2027	16,168,155.63	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	13,334,518.42	
2031	175,856,494.92	184,520,901.03	
2032	297,626,527.42		
<b>Total</b>	<b>587,563,911.56</b>	<b>353,158,752.59</b>	

### (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	518,012,629.44		518,012,629.44	474,655,401.48		474,655,401.48
Advances for non-current assets	53,871,633.43		53,871,633.43	56,453,646.07		56,453,646.07
Hedge instruments	164,488,610.39		164,488,610.39	196,955,482.65		196,955,482.65
<b>Total</b>	<b>736,372,873.26</b>		<b>736,372,873.26</b>	<b>728,064,530.20</b>		<b>728,064,530.20</b>

Other explanations: Relocation expenses to be written off represented the assets disposal expense and labour costs incurred as a result of the relocation of plant of Wenchong Shipyard due to the shutdown of some docks, which are transferred to profit or loss when the assets are disposed of and derecognized.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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
Pledged borrowings		
Secured borrowings	100,058,055.56	
Guaranteed borrowings	2,780,950,083.36	1,914,936,125.56
Credit loans		
<b>Total</b>	<b>2,881,008,138.92</b>	<b>1,914,936,125.56</b>

Other explanations: As at the end of the year, the guarantee unit for the guaranteed borrowings was Huangpu Wenchong, and the guaranteed unit was Wenchong Shipyard.

### 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 2.3022%.

## (24) Financial liabilities held-for-trading

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Financial liabilities held-for-trading Including: Issued trading bonds Financial liabilities designated at fair value through profit or loss		5,919,716.73		5,919,716.73
<b>Total</b>		5,919,716.73		<b>5,919,716.73</b>

## (25) Notes payable

Types	Ending balance	Beginning balance
Bank acceptance bills	815,586,951.54	837,973,592.50
Finance company acceptance bills	1,532,362,702.99	1,339,932,535.13
Commercial acceptance bills	636,443,247.11	346,739,464.63
<b>Total</b>	<b>2,984,392,901.64</b>	<b>2,524,645,592.26</b>

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, RMB2,984,392,901.64 had an ageing of less than 180 days, and RMB0 had an ageing of 181-360 days.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (26) Accounts payable

### 1. Breakdown of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	3,363,113,360.88	4,630,638,571.97
Payment for projects under construction	103,896,678.80	105,650,476.71
Retention money	607,774,570.24	634,496,577.80
Other construction and labour services	466,660,332.15	481,093,125.83
<b>Total</b>	<b>4,541,444,942.07</b>	<b>5,851,878,752.31</b>

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

Ageing	Ending balance	Beginning balance
Within one year	2,898,973,831.53	4,203,605,565.16
1-2 years	722,405,286.28	497,879,913.84
2-3 years	157,953,524.07	530,647,803.84
Over 3 years	762,112,300.19	619,745,469.47
<b>Total</b>	<b>4,541,444,942.07</b>	<b>5,851,878,752.31</b>

Of which, significant accounts payable aged over one year:

Item	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
Systems Engineering Research Institute of China Shipbuilding Group Co., Ltd.	679,214,121.65	86,668,934.20	Tentative estimation of arrears and deposit
Aviation Technology Research Institute of China Aerospace Science and Industry	145,775,500.00	119,058,400.00	Tentative estimation of arrears and deposit
Guangzhou Wenchong Industrial Co., Ltd.	126,222,985.38	109,507,453.79	Tentative estimation of arrears and deposit
Nanjing Keruida Electronic Equipment Co., Ltd.	101,282,774.00	97,774,400.00	Tentative estimation of arrears and deposit
China Shipbuilding Group Co., Ltd. No. 704 Research Institute	98,548,537.11	77,181,127.11	Tentative estimation of arrears and deposit
China Shipbuilding Group Co., Ltd. No. 715 Research Institute	94,977,600.00	81,797,600.00	Tentative estimation of arrears and deposit
China Electronics Technology Group Corporation No. 29 Research Institute	87,660,000.00	30,260,000.00	Tentative estimation of arrears and deposit
Guangzhou Ship Industrial Co., Ltd.	54,715,209.47	45,133,114.42	Tentative estimation of arrears and deposit
CASIC Group No. 3 Research Institute	47,879,600.00	47,879,600.00	Tentative estimation of arrears and deposit
AECC Harbin Dongan Engine Co., Ltd.	43,696,000.00	28,508,000.00	Tentative estimation of arrears and deposit
Guangzhou Shipyard International Company Limited	31,178,347.54	17,176,212.67	Tentative estimation of arrears and deposit
China United Shipbuilding Company Limited	27,342,947.03	27,342,947.03	Tentative estimation of arrears and deposit
China Shipbuilding Group Co., Ltd. No. 709 Research Institute	22,728,270.00	15,326,910.00	Tentative estimation of arrears and deposit
Wenzhou Bohong Electric Co., Ltd	19,673,429.58	19,673,429.58	Tentative estimation of arrears and deposit
CNR (Dalian) Diesel & Special Hudong Co., Ltd.	17,306,666.67	17,306,666.67	Tentative estimation of arrears and deposit
<b>Total</b>	<b>1,598,201,988.43</b>	<b>820,594,795.47</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (27) Contract liabilities

### 1. Information on contract liabilities

Item	Ending balance	Beginning balance
Contract liabilities for shipbuilding products	<b>10,754,664,476.28</b>	6,633,231,156.70
Contract liabilities for offshore engineering products	<b>515,990,899.69</b>	777,738,317.57
Contract liabilities for steel structures	<b>161,442,885.98</b>	266,858,106.50
Contract liabilities for ship maintenance and modification	<b>489,647,166.73</b>	1,632,015,796.31
Contract liabilities for electromechanical products and others	<b>57,846,875.44</b>	38,996,148.47
<b>Total</b>	<b>11,979,592,304.12</b>	9,348,839,525.55

Other explanations: The income included in the beginning carrying value of contract liabilities was recognised as RMB4,464,628,817.48 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
Contract liabilities for shipbuilding products	4,121,433,319.58	When revenue is recognized using point-in-time 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 method, there is a difference between the progress of collection and the progress of performance.
Contract liabilities for offshore engineering products	-261,747,417.88	
Contract liabilities for steel structures	-105,415,220.52	
Contract liabilities for ship maintenance and modification	-1,142,368,629.58	
Contract liabilities for electro-mechanical products and others	18,850,726.97	
<b>Total</b>	<b>2,630,752,778.57</b>	



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	255,461.50	2,628,407,385.43	2,627,483,039.00	<b>1,179,807.93</b>
Post-employment benefits – defined contribution plans	105,794.00	164,305,763.81	164,411,557.81	
Termination benefits		5,836,403.63	5,836,403.63	
<b>Total</b>	<b>361,255.50</b>	<b>2,798,549,552.87</b>	<b>2,797,731,000.44</b>	<b>1,179,807.93</b>

### 2. Short-term remuneration

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
(1) Salaries, bonuses, allowances and subsidies		863,040,788.89	863,040,788.89	<b>1,179,807.93</b>
(2) Employee benefits		27,518,044.58	27,518,044.58	
(3) Social insurance contribution Including: Medical and maternity insurance contribution		46,096,128.94	46,096,128.94	
Work-related injury insurance contribution		43,490,573.19	43,490,573.19	
(4) Housing provident fund		2,605,555.75	2,605,555.75	
(5) Labour union & employee education funds	255,461.50	86,617,107.00	86,617,107.00	
(6) Short-term paid leaves		27,734,891.92	26,810,545.49	
(7) Short-term benefits sharing scheme				
(8) Outsourcing labour costs and others		1,577,400,424.10	1,577,400,424.10	
<b>Total</b>	<b>255,461.50</b>	<b>2,628,407,385.43</b>	<b>2,627,483,039.00</b>	<b>1,179,807.93</b>

### 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 when incurred.

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		101,316,805.51	101,316,805.51	
Unemployment insurance contribution		2,371,900.30	2,371,900.30	
Annuity	105,794.00	60,617,058.00	60,722,852.00	
<b>Total</b>	<b>105,794.00</b>	<b>164,305,763.81</b>	<b>164,411,557.81</b>	

Other notes: The defined benefit plan contributions payable by the Group for the year amounted to RMB164,305,763.81 (last year: RMB154,187,246.84). As at the end of the year, contribution payable of the Group amounting to RMB0 (as at the beginning of the year: RMB105,794.00) 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 2022 to 31 December 2022

(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	44,916,491.22	2,278,478.72
Enterprise income tax	14,495,572.40	14,340,743.42
Individual income tax	15,534,190.62	12,758,363.82
City maintenance and construction tax	309,168.07	152,170.21
Property tax	571,242.84	373,607.11
Educational surcharge	220,834.36	108,693.01
Land use tax	919.92	919.92
Stamp duty	658,504.82	5,027,135.48
Environmental protection tax	21,380.14	6,147.78
<b>Total</b>	<b>76,728,304.39</b>	<b>35,046,259.47</b>

## (30) Other payables

Item	Ending balance	Beginning balance
Interest payable		
Dividends payable	761,400.08	312,941.09
Other payables	272,435,496.51	184,932,612.65
<b>Total</b>	<b>273,196,896.59</b>	<b>185,245,553.74</b>

### 1. Dividends payable

Item	Ending balance	Beginning balance
Dividends for ordinary shares	761,400.08	312,941.09
Including: Dividends payable for A shares	82,389.51	74,989.77
Dividends payable for H shares	679,010.57	237,951.32
<b>Total</b>	<b>761,400.08</b>	<b>312,941.09</b>

### 2. Other payables

(1) Other payables by nature

Item	Ending balance	Beginning balance
Deposits received	97,392,301.25	107,295,176.53
Payables for temporary receipts	175,043,195.26	77,637,436.12
<b>Total</b>	<b>272,435,496.51</b>	<b>184,932,612.65</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

(2) Significant other payables aged over one year

Item	Ending balance	Reason for unsettlement or carrying forward
Guangzhou Wenchong Industrial Co., Ltd.	32,000,000.00	Allowance for factory relocation
SEAFOX INTERNATIONAL LIMITED	22,537,445.60	Deposits received
Sea Accommodation Resorts Inc	22,537,305.86	Deposits received
Guangzhou Development Zone Treasury Centralized Payment Center	4,897,000.00	Accounts received and paid
Guangzhou Market Supervision and Administration Bureau	1,630,951.00	Performance deposit
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant Branch	1,002,700.00	Performance deposit
Jiangxi Jingan Ship Engineering Co., Ltd. (江西景安船舶工程有限公司)	1,000,000.00	Performance deposit
Yancheng Heshun Marine Engineering Co., Ltd. (盐城和顺船舶工程有限公司)	1,000,000.00	Performance deposit
<b>Total</b>	<b>86,605,402.46</b>	

(31) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	1,382,939,827.78	925,515,625.01
Lease liabilities due within one year	76,275,564.64	25,703,570.91
<b>Total</b>	<b>1,459,215,392.42</b>	<b>951,219,195.92</b>

(32) Other current liabilities

Item	Ending balance	Beginning balance
Supply chain notes that are not derecognised at the end of the period	47,770,567.42	47,984,518.09
Output value-added tax payable	42,125,129.12	53,817,056.52
Notes receivable endorsed but not expired or derecognised at the end of the period	36,075,017.85	14,335,512.05
Advances from customers for shipbuilding orders cancelled	17,700,944.37	71,610,821.50
Factoring business that is not derecognised	15,000,000.00	15,000,000.00
<b>Total</b>	<b>158,671,658.76</b>	<b>202,747,908.16</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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
Credit loans	<b>3,613,187,337.78</b>	2,949,277,966.44
<b>Total</b>	<b>3,613,187,337.78</b>	4,114,932,924.78
<b>The carrying amount of the above borrowings shall be repaid:</b>		
Within one year	<b>1,382,939,827.78</b>	925,515,625.01
Over one year but less than two years after balance sheet date	<b>1,000,824,266.67</b>	932,709,133.33
Over two years but less than five years after balance sheet date		1,000,858,611.11
Over five years after balance sheet date	<b>1,229,423,243.33</b>	1,255,849,555.33
<b>Less: Amount due within one year, as shown under current liabilities</b>	<b>1,382,939,827.78</b>	925,515,625.01
<b>Amount shown under non-current liabilities</b>	<b>2,230,247,510.00</b>	3,189,417,299.77

Other notes:

Details of guarantee: As at the end of the year, there was no guaranteed borrowings.

Details of interest rates: Long-term borrowing interest rates mainly fluctuate in the range of 1.08-3.60%. As at the end of the year, weighted average annual interest rate of long-term borrowings was 1.8317%.

### (34) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment amount	<b>205,142,269.14</b>	214,636,815.80
Less: Unrecognized financing cost	<b>14,281,319.94</b>	19,154,267.34
Less: Lease liability due within one year	<b>76,275,564.64</b>	25,703,570.91
<b>Total</b>	<b>114,585,384.56</b>	169,778,977.55

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	120,600,000.00	143,437,341.45
II. Dismissal benefits		
III. Other long-term benefits		
IV. Financial assistance for property purchase	8,474,455.73	8,727,879.00
<b>Total</b>	<b>129,074,455.73</b>	<b>152,165,220.45</b>

Other notes: The Group's defined benefit plans as at the end of the year represent the expenses of "three kinds of persons" (being retired cadres, retired and retreated employees) recognised by Huangpu Wenchong, Wenchong Shipyard, Huangchuan Ocean Engineering and Wenchuan Heavy Industrial, 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	143,437,341.45	157,759,505.39
2. Cost of defined benefits included in profit or loss for the year	-8,056,348.00	5,127,183.98
(1) Service cost for current year		
(2) Service cost for previous year		
(3) Gains on settlement (Loss expressed with "-")		
(4) Net interest	-8,056,348.00	5,127,183.98
3. Cost of defined benefits included in other comprehensive income	-9,857,702.17	522,999.81
(1) Gains on settlement (Loss expressed with "-")	-9,857,702.17	522,999.81
4. Other changes	-4,923,291.28	-19,972,347.73
(1) Consideration paid upon settlement		
(2) Benefits paid	-4,923,291.28	-19,972,347.73
5. Ending balance	120,600,000.00	143,437,341.45

#### (2) Net liabilities (net assets) under defined benefit plans

Item	Amount for the year	Amount for last year
1. Beginning balance	143,437,341.45	157,759,505.39
2. Cost of defined benefits included in profit or loss for the year	-8,056,348.00	5,127,183.98
3. Cost of defined benefits included in other comprehensive income	-9,857,702.17	522,999.81
4. Other changes	-4,923,291.28	-19,972,347.73
5. Ending balance	120,600,000.00	143,437,341.45

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

### 3. Post-employment benefits actuarial assumptions and sensitivity analysis

(1) The actuarial evaluation report was issued by Towers Watson Management Consulting (Shenzhen) Co. Ltd. on 2 February 2023. 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: 2.75%, by reference to the China Treasury Bond yield rate.

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

The annual growth rate of complementary medical benefits of existing departing staff and existing retirees: 6.50%

The annual growth rate in cost of living of existing internal retirees: 4.50%

The annual growth rate in social insurance fees and housing provident funds of existing internal retirees: 4.50%.

(4) Sensitivity analysis of actuarial assumption

Sensitivity analysis of discount rate	Change in present value of obligations under defined benefit plan (RMB ten thousand)
Increase by 0.25 percentage point	-216
Decrease by 0.25 percentage point	225

### (36) Estimated liabilities

Item	Ending balance	Beginning balance
Product quality warranty	136,631,165.79	116,301,121.03
Pending onerous contract	119,445.32	1,223,696.25
<b>Total</b>	<b>136,750,611.11</b>	117,524,817.28

Other notes: For businesses such as ship and offshore engineering construction, supporting facilities and ships trading, product warranty charges shall be accrued based on the contract and expected amount to be incurred upon completion and delivery, and shall be included in selling expenses and estimated liabilities. If there is an agreement on the amount or provision ratio of warranty charges in the contract, the provision shall be made according to the contract; if there is no agreement in the contract, the provision is generally based on 0.5% -1% of the contract revenue, with the provision ratio for special orders such as lead ships being 0.5% -1.5%.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	89,607,608.17	71,088,455.22	73,022,689.87	<b>87,673,373.52</b>
<b>Total</b>	<b>89,607,608.17</b>	<b>71,088,455.22</b>	<b>73,022,689.87</b>	<b>87,673,373.52</b>

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 on key technologies for the assembly and construction of gas hydrate drilling and production ship (Ocean Drilling)	17,820,000.00	34,447,000.00		27,919,000.00		<b>24,348,000.00</b>	Relating to revenue
DQ research of localized design and building technologies	29,790,000.00			11,000,000.00		<b>18,790,000.00</b>	Relating to revenue
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership		18,000,000.00		3,215,000.00		<b>14,785,000.00</b>	Relating to revenue
Research on key technologies of design and construction of deep-water drilling vessels	17,950,000.00			8,560,000.00		<b>9,390,000.00</b>	Relating to revenue
Research on key technology and research and manufacture of equipments of 16MW offshore wind turbine		6,587,700.00		1,253,149.14		<b>5,334,550.86</b>	Relating to revenue
Separation and transfer of water, power and gas supply and property management business	5,378,669.94		1,820,129.88			<b>3,558,540.06</b>	Relating to revenue
Large-scale JYC research and production critical information infrastructure security controllable application demonstration project	1,340,000.00	2,020,000.00		1,000,000.00		<b>2,360,000.00</b>	Relating to revenue
Research on integrated application technologies of intelligent logistics and fine art delivery unit in shipbuilding process	1,500,000.00					<b>1,500,000.00</b>	Relating to revenue
Identification gateway research project		1,200,000.00				<b>1,200,000.00</b>	Relating to revenue
Other projects	15,828,938.23	8,833,755.22		17,255,410.85	-1,000,000.00	<b>6,407,282.60</b>	Relating to revenue
<b>Total</b>	<b>89,607,608.17</b>	<b>71,088,455.22</b>	<b>1,820,129.88</b>	<b>70,202,559.99</b>	<b>-1,000,000.00</b>	<b>87,673,373.52</b>	

Other note: Other changes represent transfers to participating units.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	166,058,913.54	196,955,482.65
<b>Total</b>	<b>166,058,913.54</b>	<b>196,955,482.65</b>

## (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 (%)
<b>Shares not subject to selling restriction:</b>									
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
<b>Shares subject to selling restriction:</b>									
Ordinary shares denominated in RMB									
Shares held by foreign investors									
<b>Total number of shares</b>	<b>1,413,506,378.00</b>	<b>100.00</b>						<b>1,413,506,378.00</b>	<b>100.00</b>

### 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 (%)
<b>Shares not subject to selling restriction:</b>									
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
<b>Shares subject to selling restriction:</b>									
Ordinary shares denominated in RMB									
Shares held by foreign investors									
<b>Total number of shares</b>	<b>1,413,506,378.00</b>	<b>100.00</b>						<b>1,413,506,378.00</b>	<b>100.00</b>

Other note: All the shares in the Company are ordinary shares with nominal value of RMB1 each.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	9,308,196,115.28			<b>9,308,196,115.28</b>
Other capital reserve	67,095,324.30	80,181.87	17,650,791.75	<b>49,524,714.42</b>
Capital reserves transferred from the original system	18,260,878.79			<b>18,260,878.79</b>
<b>Total</b>	<b>9,393,552,318.37</b>	<b>80,181.87</b>	<b>17,650,791.75</b>	<b>9,375,981,708.49</b>

Other notes: The increase in other capital reserves during the year was due to changes in the capital reserves and special reserves of associates recognized according to their shareholding ratio and the increase in capital reserves recognized by minority shareholders for capital increase in subsidiaries. The decrease in other capital reserves during the year was due to the decrease in capital reserves recognized for changes in the share of net assets entitled after the passive dilution of the shareholding ratio of associates as a result of capital increase by other parties.

### Last 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		<b>9,308,196,115.28</b>
Other capital reserve	66,565,036.68	530,287.62		<b>67,095,324.30</b>
Capital reserves transferred from the original system	18,260,878.79			<b>18,260,878.79</b>
<b>Total</b>	<b>9,309,822,030.75</b>	<b>83,730,287.62</b>		<b>9,393,552,318.37</b>

Other notes: The increase in share premium in the previous year was due to the increase in the state-owned exclusive capital reserve in the previous year; the increase in other capital reserves in the previous year was due to changes in the capital reserves and special reserves of associates recognized according to their shareholding ratio and the increase in capital reserves recognized for capital increase in subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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 before income tax for the year	Amount for the year				Amount attributable to non-controlling interests after tax	Ending balance
			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	1,867,264,923.58	-562,311,973.40		724,885.11	-138,761,002.81	-416,292,708.01	-7,983,147.69	1,450,972,215.57
Including: Change in remeasurement of defined benefit plans	-67,101,055.24	22,901.55			538,909.95	-281,416.02	-234,592.38	-67,382,471.26
Other comprehensive income that cannot be transferred to profit or loss under the equity method	-278,660.34	3,442,906.24				3,442,906.24		3,164,245.90
Change in fair value of investments in other equity instruments	1,934,644,639.16	-565,777,781.19		724,885.11	-139,299,912.76	-419,454,198.23	-7,748,555.31	1,515,190,440.93
2. Other comprehensive income that will be subsequently reclassified to profit or loss	-3,512,411.02	5,725,340.56				3,095,040.61	2,630,299.95	-417,370.41
Including: Exchange differences arising from translation of foreign currency financial statements	-3,512,411.02	5,725,340.56				3,095,040.61	2,630,299.95	-417,370.41
<b>Total other comprehensive income</b>	<b>1,863,752,512.56</b>	<b>-566,586,632.84</b>		<b>724,885.11</b>	<b>-138,761,002.81</b>	<b>-413,197,667.40</b>	<b>-5,352,847.74</b>	<b>1,450,554,845.16</b>

### Last year

Item	Beginning balance	Amount incurred for the year before income tax	Amount for the year				Amount attributable to non-controlling interests after tax	Ending balance
			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	701,678,387.92	1,566,844,596.16		-552,454.07	387,036,328.33	1,165,034,081.59	4,774,186.24	1,867,264,923.58
Including: Changes in the re-measurement 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	1,566,221,035.45			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
<b>Total other comprehensive income</b>	<b>699,020,433.90</b>	<b>1,555,262,025.98</b>		<b>-552,454.07</b>	<b>387,036,328.33</b>	<b>1,164,179,624.59</b>	<b>4,046,073.06</b>	<b>1,863,752,512.56</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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		19,618,295.84	19,618,295.84	
<b>Total</b>		19,618,295.84	19,618,295.84	

#### Last 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	
<b>Total</b>		19,765,461.51	19,765,461.51	

### (43) Surplus reserve

#### Current year

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	1,022,477,465.30	69,248,183.81		<b>1,091,725,649.11</b>
Discretionary surplus reserve	19,920,770.23			<b>19,920,770.23</b>
<b>Total</b>	<b>1,042,398,235.53</b>	<b>69,248,183.81</b>		<b>1,111,646,419.34</b>

Other note: The increase in statutory surplus during the current year was due to the provision of 10% of the net profit of the Company after making up the losses in accordance with the provisions of the Articles of Association.

#### Last 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		<b>1,022,477,465.30</b>
Discretionary surplus reserve	19,920,770.23			<b>19,920,770.23</b>
<b>Total</b>	<b>1,035,952,912.65</b>	<b>6,445,322.88</b>		<b>1,042,398,235.53</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	1,811,537,356.69	1,973,789,791.39
Beginning adjustment to undistributed profits (“+” for plus; “-” for less)		
Undistributed profits as at the beginning of the year after adjustment	1,811,537,356.69	1,973,789,791.39
Add: Net profit attributable to owners of the Company for the year	688,391,027.99	79,387,401.00
Add: Transfer from other comprehensive income to retained earnings	724,885.11	-552,454.07
Less: Statutory surplus reserve set aside	69,248,183.81	6,445,322.88
Dividend payable on ordinary shares	195,063,880.16	234,642,058.75
<b>Undistributed profits as at the end of the year</b>	<b>2,236,341,205.82</b>	<b>1,811,537,356.69</b>

Other notes: The retained earnings carried forward from other comprehensive income in the current year represented an internal carry-forward of the owners' equity from disposal of shares of the Bank of Communications by Wenchong Shipyard.

### (45) Non-controlling interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Huangpu Wenchong	45.46	3,152,938,487.34	3,135,771,906.78
Zhanjiang Nanhai	40.00	2,907,158.11	2,668,109.48
Wenchong Bingshen	40.00	2,372,234.30	2,086,083.37
Wah Shun	1.00	34,097.51	58,226.18
Wah Loong	1.00	556,911.50	486,261.86
Xingji	62.50	3,248,422.85	4,503,827.05
CSSC New Energy	38.12	419,550.71	497,262.41
Guangxi Heavy Industrial	28.60	196,444.75	
<b>Total</b>		<b>3,162,673,307.07</b>	<b>3,146,071,677.13</b>

### (46) Net current assets

Item	Ending balance	Beginning balance
Current assets	25,845,135,974.86	24,081,724,836.35
Less: Current liabilities	24,361,350,063.57	21,014,920,168.47
<b>Net current assets</b>	<b>1,483,785,911.29</b>	<b>3,066,804,667.88</b>

### (47) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	46,479,786,644.65	44,265,408,872.54
Less: Current liabilities	24,361,350,063.57	21,014,920,168.47
<b>Total assets less current liabilities</b>	<b>22,118,436,581.08</b>	<b>23,250,488,704.07</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	<b>2,881,008,138.92</b>	1,914,936,125.56
Non-current liabilities due within one year	<b>1,382,939,827.78</b>	925,515,625.01
Long-term borrowings	<b>2,230,247,510.00</b>	3,189,417,299.77
<b>Total</b>	<b>6,494,195,476.70</b>	6,029,869,050.34

### 1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	<b>4,959,601,400.03</b>	3,633,182,967.22
– Bank borrowings repayable after 5 years	<b>1,229,423,243.33</b>	1,255,849,555.33
Other borrowings		
– Other borrowings repayable within 5 years	<b>305,170,833.34</b>	1,140,836,527.79
– Other borrowings repayable after 5 years		
<b>Total</b>	<b>6,494,195,476.70</b>	6,029,869,050.34

### 2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	<b>4,263,947,966.70</b>	2,840,451,750.57
1-2 years	<b>1,000,824,266.67</b>	932,709,133.33
2-5 years		1,000,858,611.11
Over 5 years	<b>1,229,423,243.33</b>	1,255,849,555.33
<b>Total</b>	<b>6,494,195,476.70</b>	6,029,869,050.34

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	12,583,224,796.39	11,763,984,038.35	11,453,902,217.84	10,366,642,431.75
Other businesses	211,900,121.48	152,920,699.51	217,691,305.63	110,529,086.57
<b>Total</b>	<b>12,795,124,917.87</b>	<b>11,916,904,737.86</b>	11,671,593,523.47	10,477,171,518.32

Gross profit from principal business

Item	Amount for the year	Amount for last year
Income from principal business	12,583,224,796.39	11,453,902,217.84
Costs of principal business	11,763,984,038.35	10,366,642,431.75
<b>Gross profit</b>	<b>819,240,758.04</b>	1,087,259,786.09

(1) Principal business – by product

Product name	Amount for the year	Amount for last year
<b>Income from principal business</b>		
Ship products	7,879,946,903.05	9,192,161,750.22
Including:		
Bulk carriers	675,021,534.53	182,491,521.30
Containerships	2,336,177,056.93	2,053,096,594.81
Special ships and others	4,868,748,311.59	6,956,573,634.11
Offshore engineering products	1,075,091,736.55	355,974,410.42
Steel structures	1,534,669,498.95	1,637,312,924.50
Ship maintenance and modification	1,892,919,952.76	123,761,391.82
Electromechanica products and others	200,596,705.08	144,691,740.88
<b>Total</b>	<b>12,583,224,796.39</b>	11,453,902,217.84
<b>Costs of principal business</b>		
Ship products	7,279,156,144.02	8,344,771,756.77
Including:		
Bulk carriers	694,158,840.87	130,309,356.51
Containerships	2,090,255,832.53	1,863,323,558.88
Special ships and others	4,494,741,470.62	6,351,138,841.38
Offshore engineering products	964,523,063.83	353,515,715.23
Steel structures	1,461,735,412.47	1,462,482,685.05
Ship maintenance and modification	1,882,899,961.52	114,017,465.52
Electromechanical products and others	175,669,456.51	91,854,809.18
<b>Total</b>	<b>11,763,984,038.35</b>	10,366,642,431.75

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(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
<b>Income from principal business</b>		
China (including Hong Kong, Macau and Taiwan)	<b>11,272,758,976.03</b>	11,093,245,088.12
Other regions in Asia	<b>34,414,243.40</b>	52,384,684.37
Europe		28,339,649.43
North America	<b>1,070,591,175.83</b>	272,839,049.12
Africa	<b>205,460,401.13</b>	7,093,746.80
<b>Total</b>	<b>12,583,224,796.39</b>	11,453,902,217.84
<b>Costs of principal business</b>		
China (including Hong Kong, Macau and Taiwan)	<b>10,469,045,467.78</b>	10,053,212,631.75
Other regions in Asia	<b>25,743,801.37</b>	36,745,705.22
Europe		21,974,484.65
North America	<b>1,067,426,828.87</b>	241,929,531.31
Africa	<b>201,767,940.33</b>	12,780,078.82
<b>Total</b>	<b>11,763,984,038.35</b>	10,366,642,431.75

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

Item	Amount for the year	Amount for last year
<b>Income from other business</b>		
Sale of materials	<b>116,410,678.13</b>	103,880,516.80
Leasing	<b>69,630,399.54</b>	80,130,495.08
Provision of energy	<b>4,718,303.67</b>	7,145,934.60
Others	<b>21,140,740.14</b>	26,534,359.15
<b>Total</b>	<b>211,900,121.48</b>	217,691,305.63
<b>Costs of other business</b>		
Sale of materials	<b>106,246,805.98</b>	88,077,313.57
Leasing	<b>36,990,986.96</b>	9,381,405.23
Provision of energy	<b>3,711,877.34</b>	6,324,694.05
Others	<b>5,971,029.23</b>	6,745,673.72
<b>Total</b>	<b>152,920,699.51</b>	110,529,086.57

2. *Deductions of operating income*

Item	Current year	Specific deductions	Last year	Specific deductions
Amount of operating income	12,795,124,917.87		11,671,593,523.47	
Total amount of deductions	211,900,121.48		217,691,305.63	
Proportion of total amount of deductions in operating income (%)	1.66		1.87	
I. Business income not related to the principal operations				
Income from operations other than daily operations	211,900,121.48	Sales of materials, rental income, etc.	217,691,305.63	Sales of materials, rental income, etc.
Subtotal of business income not related to the principal operations	211,900,121.48		217,691,305.63	
II. Commercially non-substantial income				
Subtotal of commercially non-substantial income				
III. Other income not related to the principal operations or without commercial substance				
<b>Amount of operating income after deductions</b>	<b>12,583,224,796.39</b>		<b>11,453,902,217.84</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 3. Information on revenue from contracts

The breakdown of revenue for the year is as follows:

Breakdown of contracts	Shipbuilding and related business segment	Steel structure business segment	Ship maintenance and related business segment	Other segments	Total
<b>Product type:</b>					
Ship products	7,879,946,903.05				7,879,946,903.05
Offshore engineering products	1,075,091,736.55				1,075,091,736.55
Steel structures		1,534,669,498.95			1,534,669,498.95
Ship maintenance and modification			1,892,919,952.76		1,892,919,952.76
Electromechanical products and others				200,596,705.08	200,596,705.08
Other business				211,900,121.48	211,900,121.48
<b>Total</b>	<b>8,955,038,639.60</b>	<b>1,534,669,498.95</b>	<b>1,892,919,952.76</b>	<b>412,496,826.56</b>	<b>12,795,124,917.87</b>
<b>By region of operation:</b>					
Domestic	7,685,115,093.35	1,534,669,498.95	1,892,919,952.76	371,954,552.45	11,484,659,097.51
Overseas	1,269,923,546.25			40,542,274.11	1,310,465,820.36
<b>Total</b>	<b>8,955,038,639.60</b>	<b>1,534,669,498.95</b>	<b>1,892,919,952.76</b>	<b>412,496,826.56</b>	<b>12,795,124,917.87</b>
<b>Type of market or customer:</b>					
State-owned enterprises	5,377,081,820.38	1,422,864,398.10	1,883,831,447.98	233,745,310.41	8,917,522,976.87
Private enterprises	1,048,034,226.67	111,805,100.85	9,088,504.78	138,209,242.04	1,307,137,074.34
Foreign enterprises	2,529,922,592.55			40,542,274.11	2,570,464,866.66
<b>Total</b>	<b>8,955,038,639.60</b>	<b>1,534,669,498.95</b>	<b>1,892,919,952.76</b>	<b>412,496,826.56</b>	<b>12,795,124,917.87</b>
<b>Type of contract:</b>					
Fixed price	8,955,038,639.60	1,534,669,498.95	1,892,919,952.76	412,496,826.56	12,795,124,917.87
Cost plus					
<b>Total</b>	<b>8,955,038,639.60</b>	<b>1,534,669,498.95</b>	<b>1,892,919,952.76</b>	<b>412,496,826.56</b>	<b>12,795,124,917.87</b>
<b>By date of transfer of goods:</b>					
Recognised within a period of time	7,140,070,750.90	997,637,918.00		13,093,200.00	8,150,801,868.90
Recognised at a point in time	1,814,967,888.70	537,031,580.95	1,892,919,952.76	399,403,626.56	4,644,323,048.97
<b>Total</b>	<b>8,955,038,639.60</b>	<b>1,534,669,498.95</b>	<b>1,892,919,952.76</b>	<b>412,496,826.56</b>	<b>12,795,124,917.87</b>
<b>By contract term:</b>					
Short-term	1,814,967,888.70	537,031,580.95	1,892,919,952.76	399,403,626.56	4,644,323,048.97
Long-term	7,140,070,750.90	997,637,918.00		13,093,200.00	8,150,801,868.90
<b>Total</b>	<b>8,955,038,639.60</b>	<b>1,534,669,498.95</b>	<b>1,892,919,952.76</b>	<b>412,496,826.56</b>	<b>12,795,124,917.87</b>
<b>By sales channel:</b>					
Direct sales	8,955,038,639.60	1,534,669,498.95	1,892,919,952.76	412,496,826.56	12,795,124,917.87
Sale through distributors					
<b>Total</b>	<b>8,955,038,639.60</b>	<b>1,534,669,498.95</b>	<b>1,892,919,952.76</b>	<b>412,496,826.56</b>	<b>12,795,124,917.87</b>



# NOTES TO THE FINANCIAL STATEMENTS

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#### 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 obligations substantially correspond to the completion schedule of the ship completion progress, mainly includes those for construction commencement, closure, docking, launching, sea trial and delivery. The time and proportion of the settlement of the progress payment are set out in the contracts between the Group and the customers, and the two parties shall perform the relevant obligations in accordance with the terms of the contract. If any party defaults or fails to perform the contractual obligations in a timely manner, where the responsibility lies with the Group, it shall refund customers' prepayments together with the contract assets caused thereby; In the event that it is the customer's responsibility, the Group has the right to require the customer to continue performing or to compensate for the costs and profits incurred in the contract performance. For defects caused by unintentional, navigation risks and physical damage during the warranty period of the contract, which is generally 1 year, enterprises provide repair services without any charges.

#### 5. Transaction price of allocation to remaining contract performance obligations

As of 31 December 2022, the transaction price corresponding to the contract performance obligations for which contracts had been entered into and which had not been performed or completely fulfilled as at the end of the year was RMB41,283,480,000.00, of which RMB14,631,618,600.00 is expected to be recognized as revenue in 2023.

#### 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	5,789,522,861.64	46.01
Customer 2	Unrelated party	591,176,004.72	4.70
Customer 3	Unrelated party	500,547,976.24	3.98
Customer 4	Unrelated party	412,134,550.23	3.28
Customer 5	Unrelated party	404,357,603.76	3.21
<b>Total</b>		<b>7,697,738,996.59</b>	<b>61.18</b>

#### 7. Purchase amounts from top five suppliers

Supplier	Relationship with the Group	Amount for the year	Percentage of total costs of principal business (%)
Supplier 1	Under common control of CSSC	5,176,002,529.34	44.00
Supplier 2	Unrelated party	232,769,200.00	1.98
Supplier 3	Unrelated party	209,000,000.00	1.78
Supplier 4	Unrelated party	137,480,000.00	1.17
Supplier 5	Unrelated party	88,369,344.00	0.75
<b>Total</b>		<b>5,843,621,073.34</b>	<b>49.68</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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
Urban maintenance and construction tax	2,694,228.75	1,044,799.90
Educational surcharge	1,935,488.96	745,710.44
Property tax	4,534,317.25	5,873,569.14
Land use tax	1,341,136.88	1,321,428.15
Stamp duty	9,729,809.77	9,041,190.23
Vehicle and vessel tax	69,954.08	51,988.00
Environmental protection tax	65,305.08	43,039.27
<b>Total</b>	<b>20,370,240.77</b>	<b>18,121,725.13</b>

### (51) Selling expenses

Item	Amount for the year	Amount for last year
Product quality warranty	82,316,292.74	108,437,288.48
Employee benefits	22,183,155.80	18,776,192.41
Business expenditure	1,358,830.82	1,713,261.08
Advertising publicity fee	408,721.63	828,934.82
Insurance premium	278,649.16	
Exhibition fee	167,882.57	78,512.85
Depreciation charge	85,813.45	58,750.37
Others	1,968,922.31	2,075,893.26
<b>Total</b>	<b>108,768,268.48</b>	<b>131,968,833.27</b>

### (52) Administrative expenses

Item	Amount for the year	Amount for last year
Employee benefits	307,995,040.77	258,201,222.40
Repairing expenses	85,180,863.37	88,616,902.93
Amortization of intangible assets	26,360,859.33	25,909,632.71
Depreciation charge	13,452,691.86	18,854,214.19
Litigation fees	4,977,210.81	2,784,210.51
Boarding meeting fee	4,363,024.33	4,765,911.09
Business entertainment fee	3,293,025.72	2,750,114.18
Travelling expense	2,005,278.96	2,615,535.15
Intermediary fee	1,905,584.50	1,596,719.31
Office expenses	1,305,344.68	1,694,880.11
Consulting fee	1,214,074.31	429,040.61
Insurance premium	638,867.22	658,713.63
Conference fee	5,886.79	3,773.58
Others	94,925,822.36	75,034,781.55
<b>Total</b>	<b>547,623,575.01</b>	<b>483,915,651.95</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	313,523,218.43	334,795,979.03
Wages and labor costs	121,322,023.08	125,607,306.28
Outsourcing fee	40,518,406.14	46,949,882.04
Design fee	37,868,273.01	32,411,810.19
Project management fee	29,250,345.93	35,238,559.36
Fixed assets usage fee	16,351,405.90	17,108,282.59
Fuel power fee	3,904,271.92	4,149,252.22
Dedicated fee	3,051,497.24	
Travelling expense	2,822,750.98	2,636,386.54
Test fee	1,892,147.09	1,261,585.96
Expert consultation fee	386,742.33	312,298.16
Conference fee	361,710.68	654,628.87
Others	4,998,751.99	16,344,198.39
<b>Total</b>	<b>576,251,544.72</b>	<b>617,470,169.63</b>

## (54) Finance costs

### 1. Breakdown of finance costs

Item	Amount for the year	Amount for last year
Interest expenses	153,074,603.42	132,092,572.69
Including: Interest expenses for lease liabilities	6,314,644.40	5,091,501.84
Less: Interest income	442,027,156.82	254,500,693.52
Exchange gains or losses	-186,946,211.62	59,351,737.94
Other expenses	26,480,250.71	22,320,220.05
<b>Total</b>	<b>-449,418,514.31</b>	<b>-40,736,162.84</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

### 2. Breakdown of interest expenses

Item	Amount for the year	Amount for last year
Interest on bank borrowings and overdraft	<b>148,876,790.28</b>	128,404,940.32
Interest on bank borrowings due within 5 years	<b>148,876,790.28</b>	116,469,072.32
Interest on bank borrowings due over 5 years		11,935,868.00
Other borrowings	<b>9,497,813.14</b>	8,167,632.37
Interest on other borrowings due within 5 years		
Other interest expenses	<b>9,497,813.14</b>	8,167,632.37
<b>Sub-total</b>	<b>158,374,603.42</b>	136,572,572.69
<b>Less: Interest capitalised</b>		
<b>Less: Finance interest discount</b>	<b>5,300,000.00</b>	4,480,000.00
<b>Total</b>	<b>153,074,603.42</b>	132,092,572.69

### 3. Breakdown of interest income

Item	Amount for the year	Amount for last year
Interest income from bank deposits	<b>384,820,111.54</b>	172,019,742.08
Interest income from receivables	<b>57,207,045.28</b>	82,480,951.44
<b>Total</b>	<b>442,027,156.82</b>	254,500,693.52

### (55) Other income

Item	Amount for the year	Amount for last year
Government grants	<b>129,176,022.18</b>	108,963,638.20
Input tax deduction	<b>14,723.00</b>	20,044.25
Handling fees for withholding individual income tax	<b>325,789.76</b>	525,125.68
<b>Total</b>	<b>129,516,534.94</b>	109,508,808.13

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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## Government grants included in other income

Item	Amount for the year	Amount for last year	Relating to assets/ relating to revenue
Grant for insurance maintained for first piece (set)	21,670,000.00	33,550,000.00	Relating to revenue
Research on key technologies of assembly and construction of natural gas hydrate drilling vessels (Ocean drilling vessels)	19,500,000.00		Relating to revenue
Research on key technology of antarctic krill boat fishing and deep processing	17,220,000.00		Relating to revenue
Research on localized construction technology	11,000,000.00	10,600,000.00	Relating to revenue
Research on key technologies of design and construction of deep water drilling vessels	6,000,000.00		Relating to revenue
Research on key technologies of semi-submersible ships for both military and civil uses	5,590,000.00		Relating to revenue
High-end equipment industrial mechanism model library	5,440,000.00	6,160,000.00	Relating to revenue
R&D subsidies for enterprise in 2020	3,966,300.00		Relating to revenue
Employment subsidies	3,426,489.44	2,869,478.81	Relating to revenue
Business contribution award	3,116,700.00	728,600.00	Relating to revenue
Localization development and application verification of 1561 aluminum alloy (Russian series)	3,000,000.00	5,580,000.00	Relating to revenue
Manufacture of prediction and precise servicing technology and system driven by big data	2,680,000.00		Relating to revenue
Scientific research subsidy for development and application demonstration of floating offshore wind power equipment	2,129,579.41	2,500,000.00	Relating to revenue
Research on smart manufacturing standards of total assembly of ships	1,950,000.00		Relating to revenue
Job retention subsidies	1,658,250.00		Relating to revenue
Research, application, and industrialization of intelligent manufacturing technology of steel pipe piles for offshore wind power	1,500,000.00		Relating to revenue
Scientific research grant	1,480,000.00		Relating to revenue
2022 Provincial-level special subsidy for enterprise technological transformation fund project to promote high-quality economic development	1,300,000.00		Relating to revenue
Research and development on key technologies and equipment of 16MW-class offshore wind turbines	1,253,149.14		Relating to revenue
Key technology development and application of high-end underwater welding power source	1,000,000.00		Relating to revenue
Large-scale JYJC research and production critical information infrastructure security controllable application demonstration project	1,000,000.00		Relating to revenue
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership	1,000,000.00		Relating to revenue
Research on key technologies and software development and application of domestic 3D CAD for ships	1,000,000.00		Relating to revenue
High-tech certification awards	1,000,000.00	400,000.00	Relating to revenue
Subsidies for training in lieu of work	408,512.50	4,579,000.00	Relating to revenue
Value added tax of self produced software refund upon collection	53,982.30	226,106.20	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
Construction of level two section of industrial internet identification of ship industry		7,145,000.00	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	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	Relating to revenue
Incentive Grant for high enterprise verification from Guangzhou Nansha District		1,000,000.00	Relating to revenue
Others	9,833,059.39	7,399,053.19	
<b>Total</b>	<b>129,176,022.18</b>	<b>108,963,638.20</b>	

Other explanations: Government grants from other income included in non-recurring gains and losses amounted to RMB107,452,039.88 for the year. Please refer to Note 17(1) for the reason why government grants were included in recurring gains and losses.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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 from long-term equity investments accounted for using equity method	633,032,770.34	11,966,548.56
Investment income from disposal of long-term equity investments		465,367.34
Investment income from disposal of financial assets held for trading	-22,393,888.10	18,365,743.03
Dividend income received during the period of holding investments in other equity instruments	7,743,134.15	9,408,064.73
<b>Total</b>	<b>618,382,016.39</b>	<b>40,205,723.66</b>

Other explanations: The investment income from listed and unlisted investments for the year amounted to RMB6,718,766.94 (last year: RMB7,785,648.75) and RMB611,663,249.45 (last year: RMB32,420,074.91), respectively.

### (57) Gain from change in fair value

Source of gain from changes in fair value	Amount for the year	Amount for last year
Financial assets held-for-trading	-17,449,015.02	101,349,211.43
Financial liabilities held-for-trading	-5,919,716.73	
<b>Total</b>	<b>-23,368,731.75</b>	<b>101,349,211.43</b>

### (58) Credit impairment loss

Item	Amount for the year	Amount for last year
Loss on bad debts of accounts receivable	20,041,515.99	-33,180,171.95
Impairment loss on receivables financing	-33,656.09	-11,271.72
Loss on bad debts of other receivables	629,537.06	-702,326.63
Loss on bad debts of long-term receivables		-3,011,958.59
<b>Total</b>	<b>20,637,396.96</b>	<b>-36,905,728.89</b>

Other explanations: Negative numbers of credit impairment losses indicate accrual during current year, and positive numbers indicate reversal during current year.

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From 1 January 2022 to 31 December 2022

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## (59) Loss on impairment of assets

Item	Amount for the year	Amount for last year
Loss on impairment of inventories	-123,006,306.25	-99,044,532.95
Loss on impairment of construction in progress	-34,482.76	
<b>Total</b>	<b>-123,040,789.01</b>	-99,044,532.95

Other explanations: Negative numbers of asset impairment losses indicate accrual during current year, and positive numbers indicate reversal during current year.

## (60) Gain from disposal of assets

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Gain from disposal of non-current assets	-1,904,345.08	5,363,414.13	-1,904,345.08
Including: Gain from disposal of non-current assets not classified as assets held for disposal	-1,904,345.08	5,363,414.13	-1,904,345.08
Including: Gain from disposal of fixed assets	-1,904,345.08	5,363,414.13	-1,904,345.08
<b>Total</b>	<b>-1,904,345.08</b>	5,363,414.13	-1,904,345.08

## (61) Non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Gain from scrapped non-current assets	386,190.37	1,900,307.91	386,190.37
Including: Gain from scrapped fixed assets	386,190.37	1,900,307.91	386,190.37
Government grants not relating to day-to-day activities	1,820,129.88	1,820,129.88	1,820,129.88
Penalty income	3,772,564.21	10,890,333.18	3,772,564.21
Insurance claims payment	2,260,198.52	3,709,190.91	2,260,198.52
Others	35,979.70	438,177.66	35,979.70
<b>Total</b>	<b>8,275,062.68</b>	18,758,139.54	8,275,062.68

Other explanations: The amount included in non-recurring gains and losses for the year was RMB8,275,062.68 (last year: RMB18,758,139.54).

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## Government grants included in non-operating income

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
<b>Total</b>	<b>1,820,129.88</b>	<b>1,820,129.88</b>	

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

## (62) Non-operating expenses

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Losses from scrapped non-current assets	2,711,797.94	2,595,825.43	2,711,797.94
Including: Losses from scrapped fixed assets	2,711,797.94	2,595,825.43	2,711,797.94
Penalty and overdue fine	187,177.25	665,588.10	187,177.25
Expense on external donation	7,000.00	7,000.00	7,000.00
Others	69,000.00	4,499,529.73	69,000.00
<b>Total</b>	<b>2,974,975.19</b>	<b>7,767,943.26</b>	<b>2,974,975.19</b>

Other explanations: The amount included in non-recurring gains and losses for the year was RMB2,974,975.19 (last year: RMB7,767,943.26).

## (63) Income tax expense

### 1. Breakdown of income tax expense

Item	Amount for the year	Amount for last year
Current income tax expenses	273,521.52	328,981.69
(1) China	273,521.52	328,981.69
(2) Hong Kong		
Deferred income tax expense	-10,182,753.34	10,641,113.85
Others	-2,514.88	-10,507.40
<b>Total</b>	<b>-9,911,746.70</b>	<b>10,959,588.14</b>



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 2. Reconciliation of accounting profit and income tax expenses

Item	Amount for the year
Total profit	700,147,235.28
Income tax expenses calculated at statutory/applicable tax rate	175,036,808.82
Impact of different tax rates for subsidiaries	21,236,808.08
Impact of adjustment for income tax for previous periods	-2,514.88
Impact of non-taxable income	-172,516,895.02
Impact of non-deductible costs, expenses and losses	1,092,305.74
Impact of utilization of deductible loss for which no deferred tax assets were previously recognized	-17,231,158.46
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	44,816,125.80
Additional deduction of research and development expense	-62,343,226.78
Income tax expense	-9,911,746.70

### (64) Audit fees and auditors

The audit fees charged for 2022 are RMB1.54 million (2021: RMB1.33 million). The auditors engaged by the Company are BDO China Shu Lun Pan Certified Public Accountants LLP, which has been changed since 2021.

### (65) Depreciation and amortization

Item	Amount for the year	Amount for last year
Depreciation of fixed assets	324,278,753.52	270,772,908.83
Amortization of intangible assets	31,008,009.77	28,728,148.28
Depreciation of right-of-use asset	62,184,668.38	36,245,678.10
Amortization of long-term deferred expenses	8,423,900.43	5,011,874.02
Depreciation of investment properties	6,537,425.04	6,537,425.04
<b>Total</b>	<b>432,432,757.14</b>	347,296,034.27

Other explanations: The amount of depreciation expenses included in operating costs, selling expenses, administrative expenses and research and development expenses for the year is RMB348,311,489.61 (last year: RMB317,601,774.84), and the amount of amortization expenses is RMB34,479,271.87 (last year: RMB29,566,039.94).

### (66) Gain (or loss) from disposal of investments or properties

Gains from disposal of investments during the year is RMB0, profit on sale of properties for the year was RMB0 (gains from disposal of investments during last year is RMB465,367.34, gains from disposal of properties for last year is RMB0).

### (67) Operating rental expense

Operating rental expense for the year is RMB76,287,827.00 (last year: RMB78,764,173.58, of which rental expense for machinery and equipment is RMB16,207,814.37 (last year: RMB10,709,862.10).

### (68) Rental income

Operating rental income for the year is RMB135,179,984.30 (last year: RMB134,470,234.21), including rental income from land and buildings of RMB55,448,141.38 (last year: RMB80,045,486.42).

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (69) Supplementary information on income statement of expenses by nature

The operating costs, selling expenses, administrative expenses, research and development expenses and finance costs 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	<b>8,168,506,093.72</b>	7,620,655,969.81
Employee compensation expenses	<b>2,226,819,870.93</b>	2,039,463,834.84
Product fee	<b>1,048,999,396.47</b>	580,231,526.33
Depreciation expenses	<b>348,311,489.61</b>	317,601,774.84
Fuel power fee	<b>162,865,466.90</b>	121,695,956.35
Amortization expenses	<b>34,479,271.87</b>	29,566,039.94
Balance of product payment	<b>53,013,875.12</b>	57,242,653.33
Finance costs	<b>-449,418,514.31</b>	-40,736,162.84
Other expenses	<b>1,106,552,661.45</b>	944,068,417.73
<b>Total</b>	<b>12,700,129,611.76</b>	11,669,790,010.33

## (70) Items in 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	<b>458,766,086.69</b>	594,694,373.23
Government grants	<b>100,491,941.99</b>	118,567,490.37
Interest income	<b>448,836,572.77</b>	179,935,028.17
Receipt/recovery of deposit, security deposit	<b>61,919,803.39</b>	26,472,643.59
Other non-operating income	<b>1,924,753.06</b>	4,387,226.61
<b>Total</b>	<b>1,071,939,157.90</b>	924,056,761.97

### 2. Other cash payments relating to operating activities

Item	Amount for the year	Amount for last year
Payment of other current accounts	<b>376,489,990.54</b>	379,226,820.38
Security, deposit	<b>23,372,153.63</b>	10,445,863.03
Administrative and R&D expense	<b>132,010,792.71</b>	131,958,203.94
Reserve funds	<b>41,768,476.69</b>	41,004,798.27
Non-operating expenses	<b>131,200.00</b>	665,560.58
Selling expenses	<b>3,416,813.23</b>	4,298,843.28
Bank charges	<b>26,204,752.03</b>	19,610,135.11
Warranty expenses	<b>5,586,792.43</b>	6,007,041.99
<b>Total</b>	<b>608,980,971.26</b>	593,217,266.58

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	<b>7,498,685,778.45</b>	343,058,631.48
Refundable fixed deposits over three months and interest income on various security deposit	<b>18,620,322.34</b>	15,494,475.94
<b>Total</b>	<b>7,517,306,100.79</b>	358,553,107.42

### 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	<b>6,600,092,087.26</b>	1,344,177,369.14
Reclassification of net cash received from disposal of subsidiaries		8,088,692.11
<b>Total</b>	<b>6,600,092,087.26</b>	1,352,266,061.25

### 5. Other cash receipts relating to financing activities

Item	Amount for the year	Amount for last year
State grant		83,200,000.00
<b>Total</b>		83,200,000.00

### 6. Other cash payments relating to financing activities

Item	Amount for the year	Amount for last year
Leased asset expense	<b>10,000,581.94</b>	3,249,100.65
<b>Total</b>	<b>10,000,581.94</b>	3,249,100.65

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (71) Supplementary information on consolidated cash flow statement

### 1. Supplementary information on consolidated cash flow statement

Supplementary information	Amount for the year	Amount for last year
1. Reconciliation of net profit and cash flows from operating activities		
Net profit	<b>710,058,981.98</b>	104,189,291.66
Add: Loss on impairment of credit assets	<b>-20,637,396.96</b>	36,905,728.89
Provision for impairment of assets	<b>123,040,789.01</b>	99,044,532.95
Depreciation of fixed assets and investment properties	<b>330,816,178.56</b>	294,770,064.83
Depreciation of right-of-use asset	<b>62,184,668.38</b>	36,245,678.10
Amortization of intangible assets	<b>31,008,009.77</b>	28,728,148.28
Amortization of long-term deferred expenses	<b>8,423,900.43</b>	5,011,874.02
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")	<b>1,904,345.08</b>	-5,363,414.13
Loss on retirement of fixed assets (gain expressed with "-")	<b>2,325,607.57</b>	695,517.52
Loss from changes in fair value (gain expressed with "-")	<b>23,368,731.75</b>	-101,349,211.43
Finance cost (gain expressed with "-")	<b>109,695,090.80</b>	116,132,563.49
Loss on investments (gain expressed with "-")	<b>-618,382,016.39</b>	-40,205,723.66
Decrease in deferred tax assets (increase expressed with "-")	<b>12,531,691.94</b>	13,983,838.80
Increase in deferred tax liabilities (decrease expressed with "-")	<b>-22,714,445.28</b>	-3,342,724.95
Decrease in inventories (increase expressed with "-")	<b>641,672,196.28</b>	874,566,439.47
Decrease in operating receivables (increase expressed with "-")	<b>-352,903,021.72</b>	1,399,241,967.61
Increase in operating payables (decrease expressed with "-")	<b>972,639,877.91</b>	1,505,929,622.12
Others		
Net cash flows from operating activities	<b>2,015,033,189.11</b>	4,365,184,193.57
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		
Transfer from inventories to fixed assets	<b>1,003,875,639.40</b>	
3. Net changes in cash and cash equivalents		
Ending balance of cash	<b>11,069,985,285.84</b>	5,417,061,556.97
Less: Beginning balance of cash	<b>5,417,061,556.97</b>	5,719,367,108.31
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	<b>5,652,923,728.87</b>	-302,305,551.34

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

**2. Net cash paid during the period for acquiring subsidiaries**

None.

**3. Net cash received for the disposal of subsidiaries during the period**

None.

**4. Composition of Cash and cash equivalents**

Item	Amount for the year	Amount for last year
I. Cash	<b>11,069,985,285.84</b>	5,417,061,556.97
Including: Cash on hand	<b>27,083.98</b>	26,324.55
Digital currency available for use on demand		
Bank deposits available for use on demand	<b>11,069,958,201.86</b>	5,417,035,232.42
Other cash at bank and on hand for use on demand		
II. Cash equivalents		
Including: Bond investments due within three months		
III. Ending balance of cash and cash equivalents	<b>11,069,985,285.84</b>	5,417,061,556.97
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use		

**(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	3,743,786,475.45	Fixed deposits with maturity of over 3 months, security deposit, etc.
Notes receivable	22,469,820.40	Notes receivable pledged
<b>Total</b>	<b>3,766,256,295.85</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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			1,205,616,854.97
Including: USD	171,939,296.08	6.9646	1,197,488,421.48
EUR	389,914.72	7.4229	2,894,297.98
HKD	5,859,325.55	0.8933	5,234,135.51
Accounts receivable			543,385,388.85
Including: USD	77,959,481.50	6.9646	542,956,604.85
HKD	480,000.00	0.8933	428,784.00
Other receivables			514,196.42
Including: USD	73,830.00	6.9646	514,196.42
Long-term receivables			274,872,865.81
Including: USD	39,467,143.24	6.9646	274,872,865.81
Other payables			45,964,629.44
Including: USD	6,599,751.52	6.9646	45,964,629.44

### 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
Wan Sheng International Marine Limited	Hong Kong, China	Hong Kong Dollars	Principal business operations are denominated in Hong Kong dollars
Wan Xing International Marine Limited	Hong Kong, China	Hong Kong Dollars	Principal business operations are denominated in Hong Kong dollars
Wan Xiang International Marine Limited	Hong Kong, China	Hong Kong Dollars	Principal business operations are denominated in Hong Kong dollars
Wan Rui International Marine Limited	Hong Kong, China	Hong Kong Dollars	Principal business operations are denominated in Hong Kong dollars
Wan Yu 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 value of the hedged item)		Balance sheet presentation items containing hedged items	Change in fair value of hedged items used as basis for recognition of hedge ineffectiveness component during the period	Notional amount of 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		Income statement presentation items included in current profit or loss (including ineffective hedge portion)
	Assets	Liabilities	Assets	Liabilities				Assets	Liabilities		In current profit or loss	In other comprehensive income	
Exchange rate risk	166,058,913.54		166,058,913.54		Other non-current liabilities		164,486,610.39		Other non-current assets				
- identified commitment	166,058,913.54		166,058,913.54		Other non-current liabilities		164,486,610.39		Other non-current assets				

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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 current profit or loss
Grant for insurance maintained for first piece (set)	21,670,000.00	Other income	21,670,000.00
Key technology research on the final assembly and construction of natural gas hydrate drilling vessel (ocean drilling vessel)	19,500,000.00	Other income	19,500,000.00
Research on key technology of antarctic krill boat fishing and deep processing	17,220,000.00	Other income	17,220,000.00
Research on localized construction process	11,000,000.00	Other income	11,000,000.00
Research on the key technologies of design and construction of deep water drilling Vessels	6,000,000.00	Other income	6,000,000.00
Research on Key Technologies of semi-submersible ships for both military and civil uses	5,590,000.00	Other income	5,590,000.00
High-end equipment industrial mechanism model library	5,440,000.00	Other income	5,440,000.00
Subsidies for enterprise R&D expenses in 2020	3,966,300.00	Other income	3,966,300.00
Employment subsidies	3,426,489.44	Other income	3,426,489.44
Business Contribution Award	3,116,700.00	Other income	3,116,700.00
1561 aluminum alloy (Russian series) and its supporting materials that are researched and developed for national production and application verification	3,000,000.00	Other income	3,000,000.00
Manufacture of prediction and precise servicing technology and system driven by big data	2,680,000.00	Other income	2,680,000.00
Scientific research subsidies for development and application demonstration of floating offshore wind power equipment	2,129,579.41	Other income	2,129,579.41
Study on smart manufacturing standards for ship assembly	1,950,000.00	Other income	1,950,000.00
Job retention subsidies	1,658,250.00	Other income	1,658,250.00
Research, application and industrialization of intelligent manufacturing technology of steel pipe piles for offshore wind power	1,500,000.00	Other income	1,500,000.00
Scientific research grant	1,480,000.00	Other income	1,480,000.00
2022 provincial special enterprise technical transformation fund subsidies for promoting high quality economic development	1,300,000.00	Other income	1,300,000.00
Key technologies research and equipment research and development of 16MW offshore wind turbines	1,253,149.14	Other income	1,253,149.14
Key technology development and application of high-end underwater welding power source	1,000,000.00	Other income	1,000,000.00
Large-scale JYJC research and production critical information infrastructure security controllable application demonstration project	1,000,000.00	Other income	1,000,000.00
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership	1,000,000.00	Other income	1,000,000.00
Research on key technologies and software development and application of domestic 3D CAD for ships	1,000,000.00	Other income	1,000,000.00
High-tech certification awards	1,000,000.00	Other income	1,000,000.00
Other revenue items under RMB1 million	10,295,554.19	Other income	10,295,554.19
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	5,300,000.00	Finance costs	5,300,000.00
Key technology research on the final assembly and construction of natural gas hydrate drilling vessel (ocean drilling vessel)	24,348,000.00	Deferred income	
DQ research on localized construction process	18,790,000.00	Deferred income	
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership	14,785,000.00	Deferred income	
Research on the key technologies of design and construction of deep water drilling Vessels	9,390,000.00	Deferred income	
Key technologies research and equipment research and development of 16MW offshore wind turbines	5,334,550.86	Deferred income	
Separation and transfer of water, power and gas supply and property management business	3,558,540.06	Deferred income	
Large-scale JYJC research and production critical information infrastructure security controllable application demonstration project	2,360,000.00	Deferred income	
Research on integrated application technologies of intelligent logistics and fine processing delivery unit in shipbuilding process	1,500,000.00	Deferred income	
Signage gateway research project	1,200,000.00	Deferred income	
Deferred revenue items under RMB1 million	6,407,282.60	Deferred income	
<b>Total</b>	<b>223,969,525.58</b>		<b>136,296,152.06</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

### 2. Information on return of government grants

None.

### (76) Leases

#### 1. As lessee

Item	Amount for the current year	Amount for the last year
Interest expense of lease liabilities	6,314,644.40	5,093,831.39
Simplified short-term lease expenses included in the related cost of assets or current profit and loss	44,430,373.09	78,692,981.02
Simplified lease expenses of low value assets (excluding short-term lease expenses of low value assets) included in the related cost of assets or current profit and loss	34,120.34	71,192.56
Total cash outflow related to leases	76,287,827.00	70,966,251.93

#### 2. As lessor

##### (1) Operating leases

	Amount for the current year	Amount for the last year
Income from operating leases Including: Income related to variable lease payments not included in lease receipts	135,179,984.30	134,470,234.21

The amount of undiscounted leasing receivable after the date of balance sheet:

Remaining leasing term	Amount for the current year	Amount for the last year
Within one year	82,929,475.25	62,866,966.29
Above one year within two years	58,806,308.16	39,198,010.16
Above two years within three years	52,888,500.00	21,800,000.00
Above three years within four years	52,888,500.00	1,800,000.00
Above four years within five years	39,666,375.00	1,800,000.00
Above five years		
<b>Total</b>	<b>287,179,158.41</b>	<b>127,464,976.45</b>



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

(2) Finance leases

	Amount for the current year	Amount for the last year
Selling profit or loss		-19,387,221.29
Finance income on the net investment in the lease	<b>5,299,474.24</b>	3,660,103.26
Income relating to variable lease payments not included in the net investment in the lease		9,691,064.00

The amount of leasing receivable after the date of balance sheet:

Remaining leasing term	Amount for the current year	Amount for the last year
Within one year	<b>56,351,275.06</b>	44,578,894.40
Above one year within two years	<b>63,843,095.28</b>	46,517,107.20
Above two years within three years	<b>63,843,095.28</b>	46,517,107.20
Above three years within four years	<b>145,772,963.84</b>	46,517,107.20
Above four years within five years	<b>84,442,292.70</b>	124,203,701.02
Above five years		
Subtotal of undiscounted leasing receivable	<b>414,252,722.16</b>	308,333,917.02
Add: unguaranteed residual value		
Less: unrealized finance income	<b>20,111,338.51</b>	15,726,981.93
Net investment in the lease	<b>394,141,383.65</b>	292,606,935.09

(77) Earnings per share

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

The numerator of the diluted earnings per share attributable to the Group's ordinary shareholders is the current net profit after adjustment of the following factors: (1) current interest on dilutive potential ordinary shares that have been recognised as expenses; (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 Group in basic earnings per share; and (2) the weighted average number of increased ordinary shares assuming conversion of the dilutive potential ordinary shares into ordinary shares.

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

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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.	Amount for the current year	Amount for the last year
Net profit attributable to shareholders of the Company	1	688,391,027.99	79,387,401.00
Non-recurring gains and losses attributable to the Company	2	767,772,666.93	130,826,541.34
Net profit attributable to shareholders of the Company, net of nonrecurring gains and losses	3=1-2	-79,381,638.94	-51,439,140.34
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 (II) to the end of the year	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	0.4870	0.0562
Basic earnings per share (II)	15=3 ÷ 13	-0.0562	-0.0364
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+(16-17) × (100%-18)] ÷ (12+19)	0.4870	0.0562
Diluted earnings per share (II)	21=[3+(16-17) × (100%-18)] ÷ (13+19)	-0.0562	-0.0364

## (78) Dividends

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

### 1. 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.

### 2. Year ended 31 December 2022

Pursuant to a resolution of the annual general meeting of 2021 of the Company held on 19 May 2022, the Company will distribute dividend of RMB195,063,880.16 but will not increase its share capital by way of capitalisation of capital reserve for 2021.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## VI. CHANGES IN SCOPE OF CONSOLIDATION

On 30 August 2022, the 16th Meeting of the 10th Session of the Board of Directors of the Company considered and approved the “Proposal on the Investment and Establishment of a Subsidiary by the Holding Company of the Company and Related Party Transaction”, agreeing that Wenchuan Heavy Industrial, a holding company of the Company, would make a cash contribution amounting to RMB300 million to jointly establish Guangxi Wenchuan Heavy Industrial Co., Ltd., together with CSSC Guangxi Ships and Maritime Engineering Co., Ltd. and Guangxi Qinzhou Linhai Industrial Investment Group Co., Ltd. On 9 September 2022, Guangxi Wenchuan Heavy Industrial Co., Ltd. was registered in Qinzhou, Guangxi, and Wenchuan Heavy Industrial holds 71.4% of the shares in Guangxi Heavy Industrial. As at 31 December 2022, Wenchuan Heavy Industrial has actually contributed RMB714,000.00 to Guangxi Heavy Industrial, with a shareholding ratio of 71.40%.

## 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	Ship building	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)

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

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		
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
Guangxi Heavy Industrial	Qinzhou	Equipment manufacturing	42,000.00		71.40	Establishment through investment	Other company with limited liability

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 consolidated statements.

(2) Xingji and Wenchong Bingshen are both sino-foreign joint ventures.

## 2. Significant non-wholly-owned subsidiaries

Name of subsidiary	Minority shareholding percentage	Gain or loss attributable to minority shareholders for the year	Dividends declared to minority shareholders for the year	Ending balance of non-controlling interests
Huangpu Wenchong	45.4629%	22,569,134.81		3,152,938,487.34

## 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	2,436,788.13	1,018,723.68	3,455,511.81	2,431,783.65	287,075.68	2,718,859.33	2,244,905.61	979,900.67	3,224,806.28	2,097,261.90	394,611.35	2,491,873.25

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	1,278,225.96	4,874.18	3,690.74	201,993.56	1,166,122.24	5,320.54	6,212.41	437,028.52

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

None.

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

None.

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

None.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (3) Interests in joint ventures or associates

### 1. Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of incorporation	Business nature	Percentage of shareholding (%)		Accounting method for investment in joint ventures or associates	Strategic to the Company's activities
				Direct	Indirect		
GSI	Guangzhou	Guangzhou	Metal shipbuilding	41.9170		Equity method	No

### 2. Key financial information of significant joint ventures

Item	GSI	
	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Current assets	23,097,242,002.43	18,649,985,842.14
Including: Cash and cash equivalents	5,277,451,041.73	4,396,166,567.65
Non-current assets	11,471,951,275.92	10,323,462,729.65
Total assets	34,569,193,278.35	28,973,448,571.79
Current liabilities	23,596,583,285.76	18,343,726,157.38
Non-current liabilities	1,176,208,593.09	3,472,680,188.17
Total liabilities	24,772,791,878.85	21,816,406,345.55
Non-controlling interests	69,258,038.24	83,195,797.82
Equity attributable to shareholders of the Company	9,727,143,361.26	7,073,846,428.42
Share of net assets based on shareholding percentage	3,991,523,955.73	3,180,510,659.91
Adjustments	1,561,628,317.4	1,758,109,549.31
Carrying value of equity investments in associates	5,553,152,273.13	4,938,620,209.22
Operating income	13,505,574,954.66	11,455,031,301.03
Finance costs	4,031,507.43	184,946,054.87
Income tax expense	2,080,246.12	715,956.14
Net profit	1,570,574,817.85	25,534,483.99
Other comprehensive income	8,509,940.80	2,476,276.36
Total comprehensive income	1,579,084,758.65	28,010,760.35

### 3. Aggregated financial information of insignificant joint ventures and associates

	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
<b>Joint ventures:</b>		
Total carrying value of investments		
Amounts in aggregate in proportion to the shareholdings		
– Net profit		
– Other comprehensive income		
– Total comprehensive income		
<b>Associates:</b>		
Total carrying value of investments	23,124,226.44	14,058,699.96
Amounts in aggregate in proportion to the shareholdings		
– Net profit	15,031,856.99	-130,393.51
– Other comprehensive income		
– Total comprehensive income	15,031,856.99	-130,393.51

### 4. Description of major restrictions on the ability of joint venture or associate to transfer funds to the Company

None.

### 5. Excessive losses incurred by joint ventures or associates

None.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

**6. Unrecognized commitment related to investment in joint ventures**

None.

**7. Contingent liabilities related to investment in joint ventures or associates**

None.

**(4) Significant Joint Operation**

None.

**(5) Interests in Structured Entities not Included in the Scope of Consolidated Financial Statements**

None.

## 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 limited scope.

**(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 risks on the Group's operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these risk management objectives, the basic strategies of the Group are to confirm and analyse all risks related to the Group, to build appropriate risk tolerance bottom line, to 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 business activities 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 and EUR 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	1,197,488,421.48	1,342,822,849.77
Cash and cash equivalents-HKD	5,234,135.51	467,610.93
Cash and cash equivalents-EUR	2,894,297.98	191,371.50
Accounts receivable-USD	542,956,604.85	11,265,810.89
Accounts receivable-HKD	428,784.00	1,174,263.07
Other receivable-USD	514,196.42	
Long-term receivables-USD	274,872,865.81	1,672,410,321.46
Accounts payable-USD		5,622,798.82
Other payables-USD	45,964,629.44	43,599,244.88

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 2022 to 31 December 2022

(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. 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 fixed rates and floating 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 with amount of RMB4,390,000,000.00 (at the beginning of the year: RMB5,670,282,445.30) and floating interest rate contracts denominated in RMB with total amount of RMB2,100,000,000.00 (at the beginning of the year: RMB350,000,000.00).

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 maximum exposure to credit risk that could give rise to financial losses for the Group is mainly from the counterparties' failure to perform their obligations leading to losses of the Group's financial assets and the financial guarantee 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 future changes in fair value occurs.

To reduce credit risk, a special department, responsible for confirming credit limitations, reviewing paper work related to credit and executing other 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 each of the balance sheet date to ensure sufficient provision for bad debts is made for unrecoverable amounts. Therefore, the management of the Group 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 RMB646,177,652.49 (at the beginning of the year: RMB685,989,205.92) in total; long-term receivables amounted to RMB2,208,030,534.68 (at the beginning of the year: RMB2,438,660,399.78) in total.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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### 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 by the Group to ensure the cash is adequate. The management of 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.

Each of the Group's financial liabilities are presented as undiscounted contractual cash flows by maturity date as follows:

Item	Ending balance				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	2,909,009,361.15				2,909,009,361.15
Financial liabilities held-for-trading	5,919,716.73				5,919,716.73
Notes payable	2,984,392,901.64				2,984,392,901.64
Accounts payable	4,541,444,942.07				4,541,444,942.07
Other payables	273,196,896.59				273,196,896.59
Long-term borrowings	1,383,533,427.78	1,001,382,666.67	43,282,800.00	1,335,613,528.00	3,763,812,422.45
Lease liabilities	81,576,846.80	41,753,438.25	57,169,547.11	24,642,436.98	205,142,269.14
<b>Total</b>	<b>12,179,074,092.76</b>	<b>1,043,136,104.92</b>	<b>100,452,347.11</b>	<b>1,360,255,964.98</b>	<b>14,682,918,509.77</b>



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (2) Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyze the impact that a reasonable and probable change in risk variables could have on current profit or loss or owners' equity. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the final impact amount of a change in a risk variable. The following sensitivity analysis is assumed the variation of each 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 and equity are 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	119,693,699.66	119,693,699.66	111,716,628.55	111,716,628.55
USD	Weaken by 5% against RMB	-119,693,699.66	-119,693,699.66	-111,716,628.55	-111,716,628.55

### 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 interest rate 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 and equity are 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%	-10,412,500.00	-10,412,500.00	-2,625,000.00	-2,625,000.00
Floating-rate borrowings	Decrease by 1%	10,412,500.00	10,412,500.00	2,625,000.00	2,625,000.00

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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 period

Item	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
<b>Fair value measurement on a recurring basis</b>				
◆ Financial assets held-for-trading	286,739.67	29,586,232.72		29,872,972.39
1. Classified as financial assets at fair value through current profit or loss	286,739.67			286,739.67
Investments in equity instruments	286,739.67			286,739.67
2. Classified as financial assets at fair value through current profit or loss		29,586,232.72		29,586,232.72
◆ Receivables financing			111,888,545.80	111,888,545.80
◆ Investments in other equity instruments	4,883,174,322.15		28,144,355.07	4,911,318,677.22
◆ Other non-current financial assets – hedging instruments		164,488,610.39		164,488,610.39
<b>Total assets measured at fair value on a recurring basis</b>	<b>4,883,461,061.82</b>	<b>194,074,843.11</b>	<b>140,032,900.87</b>	<b>5,217,568,805.80</b>
◆ Financial liabilities held-for-trading		5,919,716.73		5,919,716.73
Classified as financial liabilities at fair value through current profit or loss		5,919,716.73		5,919,716.73
◆ Other non-current financial liabilities – hedged items		166,058,913.54		166,058,913.54
<b>Total liabilities measured at fair value on a recurring basis</b>		<b>171,978,630.27</b>		<b>171,978,630.27</b>

### (2) Basis for determination of market price of level 1 fair value measurement items 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 2022.

# NOTES TO THE FINANCIAL STATEMENTS

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

**(3) Basis for determination of market price of level 2 fair value measurement items 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 on significant parameters for level 3 items continuing or not continuing to be measured at fair value**

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 assets of the investee and therefore the fair value is determined by multiplying the net book assets of the investee by the percentage of shareholding.

**(5) Analysis on the measurement items measured at fair value of level 3 on a going concern, adjustment information between the book value as at the end of the last year and the book value as at the end of last period and sensitivity of unobservable parameters**

**Adjustment information for the measurement items measured at fair value of level 3 on a going concern**

Item	Beginning balance	Transfer to level 3	Transfer from level 3	Total current profit or loss		Purchases, issuances, sales, and settlements				Ending balance	For assets held at the end of the reporting period, current unrealized gains or changes included in profit or loss	
				Included in the profit or loss	Included in other comprehensive income	Purchases	Issuances	Sales	Settlements			
◆ Financial assets held-for-trading	3,100,661,000.00											
Classified as financial assets at fair value through current profit or loss	3,100,661,000.00											
- Entrusted wealth management	3,100,661,000.00											
◆ Receivables financing	192,655,840.34			-33,656.09							111,888,545.80	-33,656.09
◆ Investments in other equity instruments	28,750,266.02				-605,910.95						28,144,355.07	
<b>Total</b>	<b>3,322,267,106.36</b>			<b>-33,656.09</b>	<b>-605,910.95</b>						<b>140,032,900.87</b>	<b>-33,656.09</b>
Including: Gains and losses related to financial assets				-33,656.09								-33,656.09
Gains and losses related to non-financial assets												

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 2. Controlling shareholder's registered capital and its changes

Name of controlling shareholder	Beginning balance	Increase for the year	Decrease for the year	Ending balance
CSSC	RMB32 billion			RMB32 billion

## 3. Shareholding or equity of controlling shareholder and its parties acting in concert and its changes

Controlling shareholder	Shareholding amount		Percentage of shareholding (%)		Remarks
	Ending balance	Beginning balance	Ending balance	Beginning balance	
CSSC	481,337,700.00	481,337,700.00	34.05	34.05	Parties acting in concert
CSSC International	345,940,890.00	345,940,890.00	24.47	24.47	
<b>Total</b>	<b>827,278,590.00</b>	<b>827,278,590.00</b>	<b>58.52</b>	<b>58.52</b>	

### (2) Subsidiaries of the Company

Please refer to Note "VII. Interest in Other Entities" for details of the subsidiaries of the Company.

### (3) Joint ventures and associates of the Company

For details of significant joint ventures or associates of the Company, 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 code	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

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## 4. Other related parties

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Marinequip China Company Limited	Marine accessories	#5220000#5110002XQ	Other company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Guangzhou Guanchuan Offshore 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)
Under the control of the common controlling shareholder and actual controller	Guangzhou Hongfan Technology Co., Ltd.	Purchase of goods and receipt of services	91440101708257645P	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Guangzhou Longxue Pipe Co., Ltd.	Purchase of goods and receipt of services	91440101696938450J	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Guangzhou Wenchong Shipbuilding Co., Ltd.	Sales of goods and provision of services	91440101MA5CY9PU1E	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and receipt of services	91110106082890640P	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	Haïying Enterprises Group Co., Ltd.	Purchase of goods and receipt of services	913202141347573676	Company with limited liability
Under the control of the common controlling shareholder and actual controller	China United Shipbuilding Company Limited	Purchase of goods and receipt of services	#5220000#511000111	Other company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	Jiangnan Shipyard (Group) Co., Ltd.	Provision of design and technical services	913100001322043124	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Purchase of goods and receipt of services	91360429598860469Y	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	913604007697567041	Company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Purchase of goods and receipt of services	91320114742362916X	Company with limited liability

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Nanjing CSSC Oasis Machine Co., Ltd.	Product and equipment	913201151349053822	Company with limited liability
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Shanghai Jiangnan Career Skills Training Center	Purchase of goods and receipt of services	52310101425204260L	Private non-enterprise units
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Shanghai Waigaoqiao Shipbuilding & Marine Engineering Design Co., Ltd.	Purchase of goods and receipt of services	91310115742687243M	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Shanghai Xincheng Huahai International Trade Development Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91310115MA7F5WHX60	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Purchase of goods and receipt of services	91310107166907124E	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Suzhou Jianghai Communication Co., Ltd.	Purchase of goods and receipt of services	913205061377183984	Company with limited liability (invested or controlled by natural person)
Under the control of the common controlling shareholder and actual controller	Zhendui Industrial Intelligent Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91440300MA5FTQL29D	Company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Chengxi Shipbuilding Co., Ltd.	Sales of goods and provision of services	91320281142243024W	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	CSSC Electronic Technology (Sanya) Co., Ltd.	Receipt of design and technical services	91460200MA5RH1QT9X	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Electronic Technology Co., Ltd.	Purchase of goods and receipt of services	9111011510201629XL	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	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)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	CSSC Jiujiang Boiler Co., Ltd.	Purchase of goods and receipt of services	91360406MA388PRP8Q	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	Purchase of goods and receipt of service	91360400858263725E	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	CSSC Financial Leasing (Shanghai) Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91310000090006392A	Company with limited liability (Taiwan, Hong Kong, Macau and domestic joint venture)
Under the control of the common controlling shareholder and actual controller	CSSC (Hong Kong) Shipping Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	#5220000#51105RE3N	H Share Listed Joint Stock Company Limited (State-controlled)
Under the control of the common controlling shareholder and actual controller	China Ship News Agency	Purchase of goods and receipt of services	12100000E00663201G	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited	Purchase of goods	91310000710924478P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Purchase of goods and receipt of services	914401011905500105	Ownership by the whole people
Under the control of the common controlling shareholder and actual controller	CSSC Systems Engineering Research Institute	Purchase of goods and receipt of services		Public institution
Under the control of the common controlling shareholder and actual controller	China Institute of Marine Technology & Economy of China State Shipbuilding Corporation	Purchase of goods and receipt of services	12110108400882006D	Public institution
Under the control of the common controlling shareholder and actual controller	Marine Design and Research Institute of China	Purchase of goods and receipt of services	12100000425007603X	Public institution
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Beijing Leiyin Electronic Technology Development Co., Ltd.	Purchase of goods and receipt of services	91110106633641027L	Other company with limited liability

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Beijing the Great Wall Electronic Equipment Co., Ltd.	Purchase of goods and receipt of services	911101081019079710	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding IT Co., Ltd.	Sale of goods and provision of services	911101088020423339	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation Information Research Center (China Shipbuilding Group Co., Ltd. 714 Research Institute)	Receipt of design and technical services	121000004000101285	Public institution
Under the control of the common controlling shareholder and actual controller	Dalian Shipbuilding Industry Engineering Company	Purchase of goods and receipt of services	912102042430114845	Collective ownership
Under the control of the common controlling shareholder and actual controller	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Sales of metallic materials and sales of waste materials	912102831188303922	Collective ownership
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	Dalian Shipping Factory Tools Industry Company	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91210211243164907M	Collective ownership
Under the control of the common controlling shareholder and actual controller	CSSC Dalian New Consumables Co., Ltd.	Purchase of goods and receipt of services	91210213089093384Y	Other company with limited liability
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Purchase of goods and receipt of services	914500000811760314	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Guangzhou Ship Industrial Co., Ltd.	Purchase of goods and receipt of services	91440101190506722Q	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	Guangzhou Shipyard HR Service Co., Ltd.	Labour and technical services	91440103664021381U	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and receipt of services	914401042312505170	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Technician Training School of Guangzhou Huangpu Shipyard	Labour and technical services and Supply of utilities	12440000738592911K	Public institution



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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Kindergarten of Guangzhou Huangpu Shipyard	Provision of services	12440000738577981F	Public institution
Under the control of the common controlling shareholder and actual controller	Guangzhou Shipyard Technical School	Receipt of design and technical services	12440000574022487N	Public institution
Under the control of the common controlling shareholder and actual controller	Guangzhou Shipyard Co., Ltd.	Purchase of goods, marine accessories and labour and technical services	91440101190440532F	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	Hebei Hanguang Heavy Industry Co., Ltd.	Receipt of services	911304001055252846	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Henan Diesel Engine Heavy Engineering Co., Ltd.	Purchase of goods and receipt of services	914103006634395595	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Wah-Chang International Marine Industry Company Limited	Sales of goods and provision of services	#5220000XG7250000J	Other company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and receipt of services	12100000MB2001373R	Ownership by the whole people
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	913702007335097010	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Purchase of goods and receipt of services	91370200750419038P	Other Joint Stock Company Limited (Unlisted)
Under the control of the common controlling shareholder and actual controller	Xiamen Sunrui Ship Coatings Co., Ltd.	Purchase of goods and receipt of services	91350200761709479M	Other company with limited liability
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	Shaanxi Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91610000755231771E	Company with limited liability (State-controlled)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Shanghai Merchant Vessel Design and Research Institute	Marine accessories and labour and technical services	12100000717810086K	Public institution
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Shanghai Hunter Marine Equipment Co., Ltd.	Purchase of goods and receipt of services	91310230067816848E	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Shanghai Hengtuo Industrial Development Co., Ltd.	Purchase of goods and receipt of services	913101046822767751	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of goods	91310230631147500M	Other company with limited liability
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	Shanghai Shenbo Information System Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	913101046309035540	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91310000765585565P	Company with limited liability (Sino-foreign joint venture)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Wuhan Kawasaki Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	914201007246755641	Other company with limited liability
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	Xi'an Hualei Shipbuilding Industry Co., Ltd.	Purchase of goods and receipt of services	91610113628000153X	Other company with limited liability
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	Zhenjiang 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)
Under the control of the common controlling shareholder and actual controller	CSSC Finance Company Limited	Receipt of financial services	91310115100027155G	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Marine Power Institute Co., Ltd.	Purchase of goods and receipt of services	91310115566594282C	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	CSSC Marine Power (Zhenjiang) 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)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Marine accessories	91440101056586979E	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sales of goods and provision of services	91450700059544985W	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	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)

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Under the control of the common controlling shareholder and actual controller	China Shipbuilding International Trading Co., Ltd.	Purchase of goods and receipt of services	91310115703424416U	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	CSSC Marine Power Components Co., Ltd.	Purchase of goods and receipt of services	913101157797531368	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Marine Services Co., Ltd.	Purchase of goods and receipt of services	91310115MA1K3M2Q92	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91110115344281467B	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Provision of services	91440101677764045H	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	CSSC Ocean STAR Culture Development Co., Ltd.	Provision of design and technical services	91110105097779486L	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Trading Guangzhou Co., Ltd.	Purchase of goods	91440101MA5AKBD904	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	CSSC Culture Technology (Beijing) Co., Ltd.	Receipt of design and technical services	91110108MA00BNDY07	Company with limited liability (wholly-owned by a legal person invested)
Under the control of the common controlling shareholder and actual controller	Shanghai Marine Energy Saving Technology Development Co., Ltd.	Purchase of goods and receipt of services	91310101324445479M	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSIC Electrical Machinery Science & Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91320200784951110Y	Other Joint Stock Company Limited (Unlisted)
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	Hg Technologies Co., Ltd.	Receipt of design and technical services	9113040072339877XH	Joint Stock Company Limited (Listed and State-controlled)
Under the control of the common controlling shareholder and actual controller	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd.	Purchase of goods and receipt of services	913212830566715245	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSIC Material Trade Group (Mengjia) 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)
Under the control of the common controlling shareholder and actual controller	CSIC Material Trade Group Guangzhou Co., Ltd.	Purchase of goods and receipt of services	91440101552381964L	Other company with limited liability

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	CSIC Material Trade Group Wuhan Co., Ltd.	Purchase of goods and receipt of services	91420100663453086G	Other company with limited liability
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	CSIC Chongqing Changping Machinery Co., Ltd.	Purchase of goods and receipt of services	91500101207901754J	Company with limited liability (wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Trading Shanghai Co., Ltd.	Purchase of goods	913101151322076441	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	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)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Equipment & Materials Northeast Corporation	Purchase of goods and receipt of services	91210100117660571P	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91310101132203213X	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Purchase of goods and receipt of services	91440000190332072P	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Marine Tower of China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Purchase of goods and receipt of services	9144000070767851XG	Branch of other company with limited liability
Under the control of the common controlling shareholder and actual controller	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.	Purchase of goods and receipt of services	91500105202804269L	Company with limited liability (wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	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 by legal person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd.	Purchase of goods and receipt of services	91310000MA1FL70B67	Company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	CSSC Beijing Ship Management College	Purchase of goods and receipt of services	1210000040000123XC	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 707 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000401360031F	Public institution

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Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 704 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	121000004250142995	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 722 Research Institute	Purchase of goods and receipt of services	121000007227159643	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 726 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000425010714W	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 723 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000400003702G	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 724 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000426092408R	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 709 Research Institute	Purchase of goods and receipt of services	12100000441623908U	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 703 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	121000004140017838	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 760 Research Institute	Receipt of design and technical services	121000007178077097	Ownership by the whole people
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 712 Research Institute	Purchase of goods and receipt of services	12100000441623967Y	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 716 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000468047082T	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 717 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1210000042000821X1	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 715 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	121000004700294065	Public institution
Under the control of the common controlling shareholder and actual controller	Shanghai Marine Diesel Engine Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000425008729F	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Group Co., Ltd. 11 Research Institute	Purchase of goods and receipt of services	12100000717806669G	Public institution
Under the control of the common controlling shareholder and actual controller	Planning and Development Research Center of China Shipbuilding Group Co., Ltd.	Provision of design and technical services	12100000MB200075XP	Public institution
Under the control of the common controlling shareholder and actual controller	CSSC System Engineering Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1210000040000675M	Public institution

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Under the control of the common controlling shareholder and actual controller	China Institute of Marine Technology & Economy	Provision of design and technical services	121000004000004721	Public institution
Under the control of the common controlling shareholder and actual controller	CSIC International Trading (Hong Kong) Co., Ltd.	Purchase of goods and receipt of services	#5110000#78654532P	Company with limited liability
Under the control of the common controlling shareholder and actual 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)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 726 Research Institute	Purchase of goods and receipt of services	81330000777203464J	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 723 Research Institute	Purchase of goods and receipt of services	121000004000003702G	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 724 Research Institute	Purchase of goods and receipt of services	12100000426092408R	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91410307MA3X4HHL0N	Ownership by the whole people
Under the control of the common controlling shareholder and actual controller	Qingdao Division of China Shipbuilding Industry Corporation 725 Research Institute	Purchase of goods and receipt of services	91370202F67621652H	State-owned operating institution (Unincorporated)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 707 Research Institute	Purchase of goods and receipt of services	91360402739183968P	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 703 Research Institute	Purchase of goods and receipt of services	91230100414001783B	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 704 Research Institute	Purchase of goods and receipt of services	913101041326736000	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 705 Research Institute	Purchase of goods and receipt of services	12100000435232046K	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 7 Research Institute	Purchase of goods and receipt of services		Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 718 Research Institute	Purchase of goods and receipt of services	911304001055711332	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 716 Research Institute	Purchase of goods and receipt of services		Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 717 Research Institute	Purchase of goods and receipt of services	1210000042000821X1	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 713 Research Institute	Purchase of goods and receipt of services	91410100712675452H	Public institution

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 715 Research Institute	Purchase of goods and receipt of services	81330000777203464J	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 711 Research Institute	Purchase of goods and receipt of services	12100000425008729F	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 12 Research Institute	Purchase of goods and receipt of services	91610481435721982U	Public institution
Under the control of the common controlling shareholder and actual controller	CSSC Haizhuang Windpower Co., Ltd.	Purchase of goods and receipt of services	915000007562347987	Joint Stock Company Limited
Under the control of the common controlling shareholder and actual controller	CSIC Heng Yuan Technology Co., Ltd.	Purchase of goods and receipt of services	91500101207901922L	Company with limited liability
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 710 Research Institute	Purchase of goods	12100000717807370U	Public institution
Under the control of the common controlling shareholder and actual controller	China Ship Development and Design Center	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	121000004416239594	Public institution
Under the control of the common controlling shareholder and actual controller	China Ship Research Institute (China Shipbuilding Group Co., Ltd. 7 Research Institute)	Receipt of design and technical services	12100000400009944H	Public institution
Under the control of the common controlling shareholder and actual controller	Wuhan Science and Technology Development Center of China Shipbuilding Research Institute (Wuhan Science and Technology Development Center of China Shipbuilding Industry Corporation 7 Research Institute)	Receipt of design and technical services	12420000YA2114283M	Public institution
Under the control of the common controlling shareholder and actual controller	Zhongshan GSI Marine Engineering Company Limited	Leases	91442000684420937T	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Chongqing Gearbox Co., Ltd.	Purchase of goods and receipt of services	915000002035507235	Company with limited liability
Under the control of the common controlling shareholder and actual controller	Chongqing Hongjiang Machinery Co., Ltd.	Purchase of goods and receipt of services	915000002028458376	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Chongqing Huayu Electrical Group Limited	Purchase of goods and receipt of services	91500000202826724X	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	Purchase of goods and receipt of services	91500116576196464R	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Chongqing Yuejin Machinery Plant Co., Ltd.	Purchase of goods and receipt of services	915000002028992618	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Chongqing Changzheng Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	9150000020280308XL	Company with limited liability (Wholly-owned by legal person)



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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Chongqing Zhongchi Transportation Co., Ltd.	Purchase of goods and receipt of services	91500116203586718H	Company with limited liability
Under the control of the common controlling shareholder and actual 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 and actual controller	TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	91310000607385242T	Company with limited liability (Sino-foreign joint venture)
Joint venture of controlling shareholder and actual controller	Shanghai Kaiyue Construction Consulting and Supervision Co., Ltd.	Purchase of goods and receipt of services	913102301321634000	Other company with limited liability
Joint venture of controlling shareholder and actual controller	CSSC Jiai 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 controlling shareholder and actual 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 controlling shareholder and actual controller	Workers' Hospital of Guangzhou Huangpu Shipyard	Provision of services	124400007385780000	Public institution
Associate of controlling shareholder and actual controller	Guangzhou Wenchong Industrial Co., Ltd.	Leases	91440101MA5CK3CP5P	Other company with limited liability
Associate of controlling shareholder and actual controller	Wuhan Kawasaki Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	914201006164298251	Company with limited liability (Sino-foreign joint venture)
Associate of controlling shareholder and actual controller	Wartsila CME Zhenjiang Propeller Co., Ltd.	Purchase of goods and receipt of services	91321191761020727C	Company with limited liability (Sino-foreign joint venture)

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 October 2021, the Company received notification from China Shipbuilding Group, stating that the industrial and commercial change registration for the transfer of 100% equity interest of CSSC and CSIC to China Shipbuilding Group had been completed. Therefore, CSIC and its subsidiaries are also related parties of the Group, and the transactions between them and the Group are also related party 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.

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## 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.	1,239,218,382.39	2,089,619,027.12
China National Shipbuilding Equipment & Materials Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services; purchase of fixed assets	1,108,360,432.15	
Eastern Shanghai Heavy Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	421,594,788.08	226,641,789.11
China Shipbuilding Group Co., Ltd. 724 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	235,365,000.00	156,910,000.00
CSSC Systems Engineering Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design, services and technical services	192,042,600.00	83,587,500.00
China Shipbuilding Group Co., Ltd. 709 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	182,643,240.00	94,192,140.00
China Ship Development and Design Center	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design, services and technical services	123,311,212.18	101,216,400.00
China Shipbuilding Group Co., Ltd. 716 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	119,726,926.11	26,536,000.00
China Shipbuilding Industry Corporation 713 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	119,333,562.00	35,184,090.00
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Receipt of services	108,290,603.31	98,063,584.73
Chongqing Gearbox Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	94,699,133.00	130,628,306.00
China Shipbuilding Industry Corporation 715 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	78,555,300.00	443,020,600.00
Marine Design and Research Institute of China	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design, services and technical services	78,430,909.42	10,860,613.21
China Shipbuilding Group Co., Ltd. 726 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	74,510,000.00	7,560,000.00
China Shipbuilding Group Co., Ltd. 723 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	71,512,000.00	15,674,000.00

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Related party	Content of related party transaction	Amount for the year	Amount for last year
Wuhan Marine Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>69,357,414.63</b>	118,669,842.86
Shaanxi Diesel Engine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>52,232,734.08</b>	155,582,580.59
China Shipbuilding Group Co., Ltd. 704 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design, services and technical services	<b>52,083,509.08</b>	266,826,824.04
CSSC Marine Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>50,860,700.00</b>	1,099,900.00
Guangzhou Shipyard International Company Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design, services and technical services	<b>46,834,387.25</b>	60,375,362.38
Shanghai Marine Diesel Engine Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design, services and technical services	<b>41,788,842.66</b>	151,484,412.63
China Shipbuilding Group Co., Ltd. 717 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	<b>40,860,000.00</b>	
China Shipbuilding Group Co., Ltd. 707 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	<b>39,051,191.51</b>	48,427,664.05
Wuhan Haiyi Science and Technology Limited Company	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>38,900,088.48</b>	7,368,849.55
Anqing CSSC Diesel Engine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>37,678,982.30</b>	84,970,381.99
Shanghai Merchant Vessel Design and Research Institute	Receipt of services, design and technical services	<b>31,745,630.58</b>	24,145,900.00
Haiying Enterprises Group Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>29,546,000.00</b>	14,773,000.00
China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>26,618,684.02</b>	4,672,903.90
China Shipbuilding Industry Corporation 718 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>25,082,199.67</b>	20,735,475.14
China Shipbuilding Trading Guangzhou Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>23,962,924.23</b>	30,752,593.71
Wuhan Heavy Industry Casting & Forging Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>21,461,568.36</b>	18,409,435.04

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Related party	Content of related party transaction	Amount for the year	Amount for last year
Dalian Ship Valve Company Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>20,819,863.82</b>	15,055,036.91
Guangzhou Longxue Pipe Co., Ltd.	Receipt of services	<b>19,468,008.81</b>	11,024,579.25
CSSC Marine Power (Zhenjiang) Co. Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>17,679,620.50</b>	13,362,920.39
China Shipbuilding Equipment & Materials Northeast Corporation	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>15,081,881.53</b>	5,369,785.28
China Shipbuilding Industry Corporation 705 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>14,484,000.00</b>	
Shanghai Haixun Electrical Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>13,058,900.00</b>	976,399.12
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 design and technical services	<b>12,423,000.00</b>	15,418,300.00
Shanghai Shenbo Information System Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	<b>9,998,015.62</b>	
China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>9,960,000.00</b>	
Henan Diesel Engine Heavy Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services; purchase of fixed assets	<b>9,779,903.20</b>	17,342,194.29
CSSC Southern China Ship Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>9,260,584.07</b>	6,243,562.65
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; purchase of fixed assets	<b>9,146,727.76</b>	
CSIC Haisheng Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>8,515,300.00</b>	17,030,600.00
Guangzhou Shipyard HR Service Co., Ltd.	Receipt of services, design and technical services	<b>8,386,224.64</b>	
Jiangxi Chaoyang Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>7,806,396.04</b>	3,278,770.15
Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>7,605,818.02</b>	4,240,601.46
China Shipbuilding NDRI Engineering Co., Ltd.	Purchase of goods and receipt of services	<b>6,926,457.06</b>	2,503,056.30

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

Related party	Content of related party 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.	<b>5,184,500.00</b>	19,820,000.00
China United Shipbuilding Company Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	<b>5,078,343.06</b>	171,002,653.54
China Shipbuilding Group Co., Ltd. 703 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>4,896,753.00</b>	2,700,000.00
Shanghai Ling Yao Ship Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>4,631,394.57</b>	1,548,672.57
Shanghai Dongxin Software Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services; purchase of fixed assets	<b>4,459,509.29</b>	3,995,625.37
China Shipbuilding Trading Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services; purchase of fixed assets	<b>4,391,914.23</b>	146,242,165.71
Wuhan Temo Welding Consumables Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>4,269,212.06</b>	10,018,237.17
Beijing the Great Wall Electronic Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>4,199,000.00</b>	19,142,000.00
CSIC Zhongnan Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>3,661,898.00</b>	1,658,000.00
CSSC Nanjing Luzhou Machine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>3,591,805.39</b>	35,243,981.21
Guangzhou Hongfan Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services; purchase of fixed assets	<b>3,202,069.75</b>	1,659,830.67
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>3,155,575.22</b>	1,642,775.20
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>3,073,943.88</b>	6,430,399.61
Guangzhou Shipyard Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	<b>3,018,111.19</b>	3,200,778.41

## NOTES TO THE FINANCIAL STATEMENTS

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
Zhejiang Modern Power Generation Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>2,714,159.31</b>	6,162,478.92
CSIC Material Trade Group Wuhan Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>2,671,869.12</b>	6,045,391.09
Shanghai Qiyao Heavy Industry Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	<b>2,450,000.00</b>	41,375.21
Guangzhou Ship Industrial Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	<b>2,372,127.22</b>	7,311,152.74
Shanghai Marine Energy Saving Technology Development Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>2,283,185.84</b>	2,283,185.84
Zibo Torch Energy Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>2,145,550.27</b>	512,773.32
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>2,106,194.69</b>	4,852,684.96
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	<b>2,098,628.32</b>	2,178,761.07
CSSC Jiujiang Boiler Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>1,983,176.98</b>	5,851,672.55
China Shipbuilding Trading Shanghai Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	<b>1,747,229.50</b>	
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Receipt of design and technical services	<b>1,654,210.90</b>	1,982,217.61
Yichang Marine Diesel Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>1,649,405.30</b>	1,633,628.32
Kindergarten of Guangzhou Huangpu Shipyard	Receipt of design and technical services	<b>1,600,700.00</b>	1,322,375.00
Beijing Leiyin Electronic Technology Development Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>1,518,780.00</b>	1,518,780.00
CSSC Electronic Technology (Sanya) Co., Ltd.	Receipt of design and technical services	<b>1,507,772.00</b>	
Shanxi Fenxi Heavy Industry Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	<b>1,502,308.00</b>	

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

Related party	Content of related party transaction	Amount for the year	Amount for last year
Xiamen Sunrui Ship Coatings Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,375,597.49	465,327.43
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Receipt of design and technical services	1,322,277.11	326,181.21
Dalian Shipping Factory Tools Industry Company	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	751,381.58	
Technician Training School of Guangzhou Huangpu Shipyard	Receipt of design and technical services	733,962.25	481,716.98
China Shipbuilding Group Co., Ltd. 760 Research Institute	Receipt of design and technical services	700,000.00	
CSSC Electronic Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	689,734.52	
Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	607,600.00	4,837,520.05
CSSC Technology Institute	Receipt of design and technical services	549,575.47	
China Ship Research Institute (China Shipbuilding Group Co., Ltd. 7 Research Institute)	Purchase of fixed assets; receipt of design and technical services	522,123.90	1,264.15
Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design and technical services	511,753.22	972,541.32
China Shipbuilding IT Co., Ltd.	Receipt of design and technical services	470,830.19	16,132.08
China Shipbuilding Group Co., Ltd. 712 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	408,000.00	6,120,000.00
Guangzhou Wencheng Shipbuilding Co., Ltd.	Receipt of services	383,501.89	3,793,152.57
CSIC Ocean STAR Culture Development Co., Ltd.	Receipt of services, design and technical services	378,667.56	
Wuchang Shipbuilding Industry Group Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	346,326.73	
China Shipbuilding Group Co., Ltd. 11 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of services	243,711.32	30,155,900.00
Planning and Development Research Center of China Shipbuilding Group Co., Ltd.	Purchase of fixed assets; receipt of design and technical services	226,589.10	
China Shipbuilding Group Co., Ltd. 722 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; receipt of design, services and technical services	145,398.23	93,805.31
Beijing Rui Chi Fei Si Engineering Consulting Co., Ltd. (Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.)	Purchase of fixed assets	141,466.03	65,250.00
Chongqing Huayu Electrical Group Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	93,820.00	84,080.00

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Related party	Content of related party transaction	Amount for the year	Amount for last year
Chongqing Yuejin Machinery Plant Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	77,034.00	
CSSC Dalian New Consumables Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies; purchase of fixed assets	67,168.14	186,725.66
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Purchase of fixed assets	66,037.74	
CSSC Beijing Ship Management College	Receipt of design and technical services	61,857.18	522,202.38
CSIC Material Trade Group Guangzhou Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	60,674.45	23,636,951.70
China Shipbuilding Industry Corporation Information Research Center (China Shipbuilding Group Co., Ltd. 714 Research Institute)	Purchase of fixed assets; receipt of design and technical services	37,981.13	327,768.86
Hebei Hanguang Heavy Industry Co., Ltd.	Receipt of services	28,744.78	
Marinequip China Company Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	26,312.13	5,347,672.10
Wuhan Science & Technology Development Center of China Ship Research Institute (Wuhan Science & Technology Development Center of China Shipbuilding Group Co., Ltd. 7 Research Institute)	Receipt of design and technical services	22,193.40	
Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	19,115.04	12,897,976.55
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Purchase of fixed assets; receipt of design and technical services	14,150.94	982,123.68
Shanghai Jiangnan Career Skills Training Center	Receipt of design and technical services	11,067.96	3,398.06
CSIC Material Trade Group (Mengla) Co., Ltd.	Receipt of design and technical services	10,450.00	
Chongqing Hongjiang Machinery Co., Ltd.	Receipt of design and technical services	6,603.77	
Shanghai Hudong Shipyard Valve Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	5,425.00	357,067.20
Technician Training School of Guangzhou Shipyard	Receipt of design and technical services	3,603.77	
CSIC Electrical Machinery Science & Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	2,148.00	
CSSC Hg Technologies Co., Ltd.	Receipt of design and technical services	316.81	
CSSC Culture Technology (Beijing) Co., Ltd.	Receipt of design and technical services	200.00	
China Ship News Agency	Receipt of design and technical services	154.87	
CSIC Diesel Engine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		30,215,929.20



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Related party	Content of related party transaction	Amount for the year	Amount for last year
TTS Hua Hai Ships Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		28,764,173.44
Wuhan Langan Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		22,257,705.81
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		18,974,137.93
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
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
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		3,380,960.59
Workers' Hospital of Guangzhou Huangpu Shipyard	Receipt of design and technical services		1,945,447.60
Wartsila CME Zhenjiang Propeller Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		1,413,793.10
CSSC Dalian Marine Propeller Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		1,381,000.00
China Shipbuilding Technology Institute	Receipt of design and technical services		1,234,218.12
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 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
Shanghai Hunter Marine Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		431,858.41
CSIC Chongqing Changping Machinery Co., Ltd.	Purchase of fixed assets		345,769.92
Xi'an Hualei Shipbuilding Industry Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		140,707.94
Chongqing Zhongchi Transportation Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		120,000.00

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Related party	Content of related party transaction	Amount for the year	Amount for last year
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
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
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
Wuhan Kawasaki Marine Machinery Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.		398.23
<b>Total</b>		<b>5,176,002,529.35</b>	<b>5,349,406,806.22</b>

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 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, 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.

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(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
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	99,100,896.86	28,451,173.32
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sales of electrical and mechanical engineering equipment, metallic materials and waste materials; Provision of services	81,271,797.63	79,135,661.24
Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	Sales of metallic materials and sales of waste materials	34,403,791.41	39,855,344.67
China Shipbuilding Trading Shanghai Co., Ltd.	Sales of shipping products	13,977,600.00	
China National Shipbuilding Equipment & Materials Southwest Co., Ltd.	Sales of shipping, electrical and mechanical engineering products, metallic materials and sales of waste materials, etc.	4,911,504.42	
China Shipbuilding Group Co., Ltd.	Provision of design and technical services	1,828,018.87	
Shanghai Dongxin Software Engineering Co., Ltd.	Provision of design and technical services	1,371,347.47	
China Shipbuilding IT Co., Ltd.	Provision of design and technical services	1,257,889.46	3,150,442.48
Marine Design and Research Institute of China	Sales of shipping, electrical and mechanical engineering products, metallic materials and sales of waste materials, etc.	1,200,000.00	
Guangzhou Wencheng Shipbuilding Co., Ltd.	Provision of services	919,949.74	
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Sales of shipping, electrical and mechanical engineering products, metallic materials and sales of waste materials, etc.	641,216.84	540,586.32
CSSC Technology Institute	Provision of design and technical services	471,698.11	
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Provision of services	242,796.90	59,274.34
Jiangnan Shipyard (Group) Co., Ltd.	Provision of design and technical services	199,768.00	
Technician Training School of Guangzhou Huangpu Shipyard	Supply of utilities	186,741.65	
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Supply of utilities, provision of design and technical services	123,621.05	147,884.36
CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	Provision of design and technical services	108,849.56	
CSSC Guijiang Shipbuilding	Sales of shipping, electrical and mechanical engineering products, metallic materials and sales of waste materials, etc.	90,265.49	
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Provision of design and technical services	46,137.71	102,552.58
Jiangxi Chaoyang Machinery Co., Ltd.	Sales of metallic materials and sales of waste materials, provision of leasing	7,634.19	14,029.65
China Shipbuilding Equipment & Materials Northeast Corporation	Sales of shipping, electrical and mechanical engineering products, metallic materials and sales of waste materials, etc.	18.46	

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(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 (Hong Kong) Shipping Company Limited	Sales of shipping products		456,709,036.88
China Shipbuilding Trading Co., Ltd.	Sales of shipping products		54,227,123.04
Zhongshan GSI Marine Engineering Company Limited	Provision of leasing		18,063,347.77
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	Provision of leasing		214,500.00
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	Sales of metallic materials and sales of waste materials		172,566.37
China Shipbuilding Trading Guangzhou Co., Ltd.	Sales of metallic materials and sales of waste materials		45,132.74
Workers' Hospital of Guangzhou Huangpu Shipyard	Supply of utilities, provision of design and technical services		6,324.88
Guangzhou Shipyard Co., Ltd.	Supply of utilities		742.83
China Shipbuilding NDRI Engineering Co., Ltd.	Provision of design and technical services		670.87
Anqing CSSC Diesel Engine Co., Ltd.	Provision of design and technical services		18.87
<b>Total</b>		<b>242,361,543.82</b>	<b>681,683,831.93</b>

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 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.

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## 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	<b>6,203,367,651.89</b>	6,191,940,179.15	<b>78,656,084.32</b>	64,831,240.93

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	Last year
CSSC Finance Company Limited	<b>305,000,000.00</b>	1,140,000,000.00	<b>15,495,083.33</b>	28,864,272.23

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 from 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	<b>US\$245.89 million</b>	US\$277.99 million	<b>53,808,956.99</b>	24,762,657.23	<b>-6,430,686.84</b>	2,773,948.13

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	<b>31,625,193.55</b>	27,738,684.93

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

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### 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	13,093,200.00	10,473,600.00
Guangzhou Wenchong Industrial Co., Ltd.	Buildings and structures	3,420,957.62	
CSSC Guijiang Shipbuilding	Buildings and structures	1,671,137.96	
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Buildings and structures	659,021.00	
Guangzhou Xinhang Human Resources Service Co., Ltd.	Buildings and structures	223,962.73	
Jiangxi Chaoyang Machinery Co., Ltd.	Buildings and structures	42,385.31	
<b>Total</b>		<b>19,110,664.62</b>	<b>10,473,600.00</b>

(2) The Group as lessee:

Name of lessor	Type of leased assets	Current period			Corresponding period last year		
		Rental charges for short-term leases and low-value asset leases that are simplified and variable lease payments that are not included in the measurement of lease liabilities	Rental payments	Increase in right-to-use assets	Interest expense on committed lease liabilities	Rental payments	Increase in right-to-use assets
Guangzhou Wenchong Industrial Co., Ltd.	Land, buildings and structures		29,073,803.23		1,459,420.86	29,139,782.21	2,163,501.84
Guangzhou Ship Industrial Co., Ltd.	Land, buildings and structures		6,523,498.67		1,107,468.15	6,385,210.95	1,279,433.02
Guangzhou Shipyard International Company Limited	Buildings and structures		1,704,687.33		754,372.35	1,658,333.88	800,725.80
Dalian Shipbuilding Industry Engineering Company	Buildings and structures	1,099,627.34	4,346,044.68			1,099,653.41	
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Buildings and structures	953,113.37	1,039,760.04		265.23	1,033,341.90	23,560.89
<b>Total</b>		<b>2,052,740.71</b>	<b>42,687,793.95</b>		<b>3,321,526.59</b>	<b>38,216,668.94</b>	<b>4,267,221.55</b>

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 2022 to 31 December 2022

(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\$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 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 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	135,000,000.00	2020/11/11	2022/1/21	Yes
Huangpu Wenchong	Wenchong Shipyard	240,000,000.00	2021/4/10	2022/10/30	Yes
Huangpu Wenchong	Wenchong Shipyard	400,000,000.00	2021/10/9	2022/6/22	Yes
Huangpu Wenchong	Wenchuan Heavy Industrial	300,000,000.00	2021/5/21	2022/1/6	Yes
Huangpu Wenchong	Wenchuan Heavy Industrial	300,000,000.00	2022/2/18	2023/1/26	No
Huangpu Wenchong	Wenchong Shipyard	290,000,000.00	2021/12/8	2023/6/20	No
Huangpu Wenchong	Huangchuan Ocean Engineering	200,000,000.00	2022/10/14	2023/7/29	No
Huangpu Wenchong	Wenchong Shipyard	100,000,000.00	2022/2/7	2023/1/20	No
Huangpu Wenchong	Huangchuan Ocean Engineering	7,758,080.00	2020/4/2	2023/3/31	No

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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.	10,519,757.00	10,970,714.80
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	6,782,055.19	8,019,379.60
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited		4,098,194.00
Sales agency fees	China Shipbuilding Trading Shanghai Co., Ltd.		169,000.00
Procurement agency fees	China United Shipbuilding Company Limited	55,351.70	721,356.41
Letters of guarantee	China Shipbuilding Trading Co., Ltd.	1,013,601.29	3,390,167.17
Financial institution handling fee	CSSC Finance Company Limited	1,704,566.97	1,717,046.75
<b>Total</b>		<b>20,075,332.15</b>	<b>29,085,858.73</b>

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 on behalf of intermediaries will be paid by CSSC 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.

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 2022 to 31 December 2022

(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	Current year	Last year
CSSC Internet	Purchase of goods and receipt of services	227,929.21	110,946.90
Wenchuan Heavy Industrial	Purchase of goods and receipt of services		15,258,016.07
<b>Total</b>		<b>227,929.21</b>	<b>15,368,962.97</b>

Other description: 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	Current year	Last year
Huangpu Wenchong	Lease of properties		9,816,000.00
<b>Total</b>			<b>9,816,000.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (vi) Receivables from and payables to related parties

### 1. Receivables

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
<b>Cash at bank and on hand – Accrued interest</b>		<b>58,593,444.17</b>		67,306,694.45	
	CSSC Finance Company Limited	<b>58,593,444.17</b>		67,306,694.45	
Notes receivable		<b>808,450.00</b>			
	Guangzhou Shipyard International Company Limited	<b>808,450.00</b>			
Accounts receivable		<b>73,440,566.48</b>		43,933,101.58	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	<b>23,657,384.64</b>		18,045,380.77	
	China Shipbuilding Trading Co., Ltd.	<b>16,739,000.00</b>			
	Guangzhou Shipyard International Company Limited	<b>13,298,516.93</b>		5,682,542.81	
	China Ship Development and Design Center	<b>13,045,000.00</b>			
	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.	<b>3,125,725.00</b>			
	CSSC Guijiang Shipbuilding Co., Ltd.	<b>1,778,447.24</b>			
	China Shipbuilding IT Co., Ltd.	<b>809,000.00</b>		1,754,500.00	
	China Shipbuilding Group Co., Ltd.				
	703 Research Institute	<b>291,000.00</b>			
	Jiangnan Shipyard (Group) Co., Ltd.	<b>225,737.84</b>			
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	<b>198,709.82</b>			
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	<b>123,000.00</b>		14,150.44	
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	<b>80,000.00</b>			
	CSSC Chengxi Shipbuilding Co., Ltd.	<b>69,026.55</b>			
	China Shipbuilding Equipment & Materials Northeast Corporation	<b>18.46</b>			
	China Shipbuilding Trading Co., Ltd.			16,739,000.00	
	China Shipbuilding NDRI Engineering Co., Ltd.			645,500.00	
	Zhongshan GSI Marine Engineering Company Limited			428,820.75	
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.			309,581.04	
	Dalian Shipbuilding Industry Engineering Company			218,682.11	
	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	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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		<b>1,814,452,713.35</b>		1,506,307,785.36	
	Eastern Shanghai Heavy Machinery Co., Ltd.	<b>529,134,258.48</b>		211,286,732.33	
	China Shipbuilding Trading Co., Ltd.	<b>410,191,572.06</b>		268,259,314.82	
	China National Shipbuilding Equipment & Materials Co., Ltd.	<b>315,901,027.82</b>		110,509,349.52	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	<b>112,258,035.89</b>		608,553,523.78	
	Anqing CSSC Diesel Engine Co., Ltd.	<b>84,505,376.29</b>		15,124,119.66	
	Shanghai Lingyao Ship Engineering Co., Ltd.	<b>83,994,620.69</b>		35,322,706.10	
	China Shipbuilding Equipment & Materials Northeast Corporation	<b>48,117,162.68</b>		12,310,151.85	
	Shaanxi Diesel Engine Co., Ltd.	<b>43,214,028.95</b>			
	China Shipbuilding Group Co., Ltd. 717 Research Institute	<b>42,257,900.00</b>			
	China Shipbuilding NDRI Engineering Co., Ltd.	<b>25,225,943.98</b>			
	Shanghai Marine Diesel Engine Research Institute	<b>23,228,565.44</b>			
	Wuhan Marine Machinery Co., Ltd.	<b>21,170,475.10</b>			
	China Ship Development and Design Center	<b>17,760,000.00</b>			
	CSIC International Trading (Hong Kong) Co., Ltd.	<b>11,046,997.50</b>		4,419,826.80	
	China Shipbuilding Group Co., Ltd. 724 Research Institute	<b>10,667,400.00</b>			
	CSSC Jiujiang Boiler Co., Ltd.	<b>10,196,830.30</b>			
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	<b>4,500,000.00</b>			
	CSSC Southern China Ship Machinery Co., Ltd.	<b>3,750,000.00</b>			
	China Shipbuilding Industry Corporation 710 Research Institute	<b>3,600,000.00</b>			
	Shanghai Marine Energy Saving Technology Development Co., Ltd.	<b>2,580,000.00</b>		1,290,000.00	
	China Shipbuilding Group Co., Ltd. 704 Research Institute	<b>2,258,261.71</b>			
	China Shipbuilding Group Co., Ltd. 716 Research Institute	<b>1,912,808.57</b>			
	Suzhou Jianghai Communication Co., Ltd.	<b>1,896,250.00</b>			
	CSSC Marine Power (Zhenjiang) Co. Ltd.	<b>1,198,600.00</b>			
	Marinequip China Company Limited	<b>1,093,265.20</b>		1,093,265.20	
	Chongqing Yuejin Machinery Plant Co., Ltd.	<b>804,716.70</b>		804,716.70	
	Shanghai Hunter Marine Equipment Co., Ltd.	<b>645,000.00</b>			
	Shanghai Xincheng Huahai International Trade Development Co., Ltd.	<b>393,162.00</b>			
	China Shipbuilding Trading Shanghai Co., Ltd.	<b>351,668.55</b>		235,995,152.19	
	CSIC Haisheng Technology Co., Ltd.	<b>242,500.00</b>			
	Haifeng Navigation Technology Co., Ltd.	<b>211,000.00</b>			
	Shanghai Waigaociao Shipbuilding Co., Ltd.	<b>100,000.00</b>			
	Guangzhou Shipyard International Company Limited	<b>23,755.44</b>			
	Jiangxi CSSC Navigation Instrument Co., Ltd.	<b>15,860.00</b>		15,860.00	
	CSIC Heng Yuan Technology Co., Ltd.	<b>5,670.00</b>		5,670.00	
	China Shipbuilding Trading (BVI) Co., Ltd.			1,083,396.41	
	Shanghai CSSC Lingang ship Equipment Co., Ltd.			234,000.00	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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		<b>2,460,385.77</b>		1,023,620.99	
	Guangzhou Wenchong Industrial Co., Ltd.	<b>999,117.46</b>		548,427.63	
	Guangzhou Shipyard International Company Limited	<b>402,637.55</b>			
	CSSC Beijing Ship Management College	<b>288,540.00</b>			
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	<b>225,348.00</b>		248,748.00	
	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	<b>205,343.63</b>			
	Wuchang Shipbuilding Industry Group Co., Ltd.	<b>200,730.20</b>			
	China Shipbuilding Group Co., Ltd.	<b>101,083.99</b>			
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	<b>36,017.80</b>		29,805.80	
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	<b>1,079.52</b>			
	Kindergarten of Guangzhou Huangpu Shipyard	<b>487.62</b>			
	Guangzhou Wencheng Shipbuilding Co., Ltd.			167,252.29	
	China Shipbuilding Trading Co., Ltd.			23,962.10	
	CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.			4,440.00	
	Dalian Shipbuilding Industry Engineering Company			985.17	
Contract assets		<b>24,152,250.30</b>		2,299,098.30	
	Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	<b>19,436,569.71</b>			
	Guangzhou Shipyard International Company Limited	<b>3,853,372.09</b>		1,706,698.70	
	Zhongshan GSI Marine Engineering Company Limited	<b>428,820.75</b>			
	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.	<b>277,500.00</b>			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	<b>48,987.75</b>		255,487.93	
	China Shipbuilding IT Co., Ltd.	<b>87,500.00</b>		178,000.00	
	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	<b>19,500.00</b>			
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.			154,790.52	
	CSSC Gujiang Shipbuilding Co., Ltd.			4,121.15	
Other non-current assets		<b>53,871,633.43</b>		56,453,646.07	
	Guangzhou Shipyard International Company Limited	<b>53,871,633.43</b>		56,453,646.07	
<b>Total</b>		<b>2,027,779,443.50</b>		1,677,323,946.75	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 2. Payables

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
Notes payable		<b>1,775,336,908.25</b>	1,609,328,436.27
	China National Shipbuilding Equipment & Materials Co., Ltd.	<b>394,046,818.06</b>	47,153,662.10
	Systems Engineering Research Institute of China Shipbuilding Group Co., Ltd.	<b>341,751,280.00</b>	
	Eastern Shanghai Heavy Machinery Co., Ltd.	<b>226,421,800.00</b>	144,680,206.90
	China Shipbuilding Group Co., Ltd. 704 Research Institute	<b>108,743,252.25</b>	56,947,700.00
	China Shipbuilding Group Co., Ltd. 709 Research Institute	<b>83,422,210.00</b>	
	China Shipbuilding Group Co., Ltd. 726 Research Institute	<b>69,420,000.00</b>	
	Shanghai Marine Diesel Engine Research Institute	<b>68,882,490.00</b>	
	China Ship Development and Design Center	<b>59,936,100.00</b>	50,450,400.00
	China Shipbuilding Group Co., Ltd. 723 Research Institute	<b>57,428,000.00</b>	
	China Shipbuilding Group Co., Ltd. 716 Research Institute	<b>46,326,650.00</b>	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	<b>43,142,338.65</b>	480,677,784.56
	China Shipbuilding Industry Corporation 713 Research Institute	<b>42,011,000.00</b>	6,572,250.00
	China Shipbuilding Group Co., Ltd. 717 Research Institute	<b>27,457,600.00</b>	
	China Shipbuilding Group Co., Ltd. 724 Research Institute	<b>27,060,000.00</b>	
	China Shipbuilding Group Co., Ltd. 707 Research Institute	<b>23,616,810.00</b>	
	Anqing CSSC Diesel Engine Co., Ltd.	<b>22,620,000.00</b>	30,819,100.00
	China Shipbuilding Group Co., Ltd. 715 Research Institute	<b>20,400,000.00</b>	
	Dalian Ship Valve Company Limited	<b>20,074,154.86</b>	
	China Shipbuilding Equipment & Materials Northeast Corporation	<b>19,019,770.95</b>	15,019,642.84
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	<b>13,669,780.00</b>	6,982,000.00
	Wuhan Marine Machinery Co., Ltd.	<b>13,192,000.00</b>	16,758,559.00
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	<b>13,037,145.23</b>	
	CSSC Marine Technology Co., Ltd.	<b>7,486,000.00</b>	
	Guangzhou Shipyard HR Service Co., Ltd.	<b>6,696,759.77</b>	
	China Shipbuilding Industry Corporation 710 Research Institute	<b>4,810,000.00</b>	
	China Shipbuilding Industry Corporation 718 Research Institute	<b>4,322,750.00</b>	3,957,000.00
	CSIC Haisheng Technology Co., Ltd.	<b>3,402,650.00</b>	
	China Shipbuilding Trading Guangzhou Co., Ltd.	<b>2,756,471.52</b>	21,125,602.30
	Guangzhou Longxue Pipe Co., Ltd.	<b>2,595,926.96</b>	1,451,015.62
	CSSC Jiujiang Boiler Co., Ltd.	<b>1,372,650.00</b>	4,084,915.00
	Shanghai Lingyao Ship Engineering Co., Ltd.	<b>214,500.00</b>	1,137,500.00
	China Shipbuilding Industry Corporation 715 Research Institute		219,597,650.00
	CSSC Systems Engineering Research Institute		167,396,700.00
	China Shipbuilding Industry Corporation 711 Research Institute		63,406,850.00
	China Shipbuilding Industry Corporation 724 Research Institute		58,600,000.00

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	China National Shipbuilding Equipment & Materials Co., Ltd.		59,850,730.25
	China Shipbuilding Industry Corporation 717 Research Institute		47,929,500.00
	China Shipbuilding Industry Corporation 709 Research Institute		42,348,140.00
	Shanghai Shipbuilding Technology Research Institute		15,000,000.00
	CSSC Marine Power (Zhenjiang) Co. Ltd.		9,277,483.00
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.		8,724,024.70
	China Shipbuilding Industry Corporation 723 Research Institute		8,040,000.00
	China Ship Power Station Equipment Co., Ltd.		5,820,000.00
	Wuhan Ligan Technology Co., Ltd.		5,616,000.00
	Wuhan Haiyi Science and Technology Limited Company		3,146,400.00
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.		2,443,800.00
	Henan Diesel Engine Heavy Engineering Co., Ltd.		1,954,000.00
	Marine Design and Research Institute of China		1,400,000.00
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.		653,600.00
	Xiamen Sunrui Ship Coatings Co., Ltd.		306,220.00
Accounts payables		<b>1,697,785,249.56</b>	2,594,068,747.33
	Systems Engineering Research Institute of China Shipbuilding Group Co., Ltd.	<b>679,214,121.65</b>	
	Guangzhou Wenchong Industrial Co., Ltd.	<b>126,222,985.38</b>	115,291,232.85
	China Shipbuilding Group Co., Ltd. 704 Research Institute	<b>98,548,537.11</b>	
	China Shipbuilding Group Co., Ltd. 715 Research Institute	<b>94,977,600.00</b>	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	<b>84,514,927.81</b>	382,367,076.39
	China Shipbuilding Group Co., Ltd. 703 Research Institute	<b>62,809,430.00</b>	
	Guangzhou Ship Industrial Co., Ltd.	<b>54,715,209.47</b>	50,328,162.22
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	<b>46,461,853.00</b>	
	China Shipbuilding Industry Corporation 713 Research Institute	<b>41,116,935.00</b>	134,270,825.00
	China Shipbuilding Group Co., Ltd. 726 Research Institute	<b>32,549,000.00</b>	
	Guangzhou Shipyard International Company Limited	<b>31,178,347.54</b>	31,875,366.64
	China Shipbuilding Group Co., Ltd. 707 Research Institute	<b>27,816,519.52</b>	
	China United Shipbuilding Company Limited	<b>27,342,947.03</b>	27,361,154.86
	Chongqing Gearbox Co., Ltd.	<b>27,133,911.00</b>	131,600,339.00
	China Shipbuilding Group Co., Ltd. 709 Research Institute	<b>22,728,270.00</b>	
	China Ship Development and Design Center	<b>15,964,428.09</b>	8,361,050.00
	Marine Design and Research Institute of China	<b>15,844,200.00</b>	75,886,845.24
	Shanghai Haixun Electrical Engineering Co., Ltd.	<b>14,825,549.53</b>	17,600,558.02
	Shanghai Shenbo Information System Engineering Co., Ltd.	<b>12,574,073.44</b>	
	China Shipbuilding Group Co., Ltd. 723 Research Institute	<b>12,284,000.00</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	China Shipbuilding Trading Guangzhou Co., Ltd.	10,956,053.21	10,753,206.65
	China Ship Research Institute (China Shipbuilding Group Co., Ltd. 7 Research Institute)	10,770,200.00	
	China Ship Power Station Equipment Co., Ltd.	9,578,600.00	9,008,000.00
	Marinequip China Company Limited	7,996,849.11	4,146,809.37
	China Shipbuilding Industry Corporation 705 Research Institute	7,440,000.00	1,680,000.00
	Wuhan Haiyi Science and Technology Limited Company	7,186,755.17	21,122,082.73
	Beijing the Great Wall Electronic Equipment Co., Ltd.	6,679,000.00	17,886,500.00
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	6,287,555.75	16,118,844.00
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	5,549,222.44	3,673,869.20
	Nanjing CSSC Oasis Machine Co., Ltd.	5,490,056.00	4,289,280.00
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	4,880,201.35	3,140,832.65
	China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	4,790,028.00	1,598,928.00
	CSSC Marine Technology Co., Ltd.	4,763,216.24	25,336,716.24
	Haiying Enterprises Group Co., Ltd.	4,144,500.00	27,034,000.00
	China Shipbuilding Industry Corporation 710 Research Institute	3,998,000.00	
	CSSC Southern China Ship Machinery Co., Ltd.	3,985,766.58	12,353,366.58
	Guangzhou Guangchuan Offshore Engineering Equipment Co., Ltd.	3,605,774.40	2,357,783.95
	Wuhan Temo Welding Consumables Co., Ltd.	3,426,859.00	87,080.00
	Shanghai Dongxin Software Engineering Co., Ltd.	3,405,857.96	3,610,050.00
	Guangzhou Longxue Pipe Co., Ltd.	3,249,969.34	2,740,743.50
	China Shipbuilding Industry Corporation 718 Research Institute	3,231,950.00	14,624,348.28
	Guangzhou Hongfan Technology Co., Ltd.	2,910,574.59	1,247,527.40
	China Shipbuilding Group Co., Ltd. 717 Research Institute	2,880,000.00	
	Dalian Ship Valve Company Limited	2,863,669.72	962,498.09
	Jiangxi Chaoyang Machinery Co., Ltd.	2,688,551.13	656,489.99
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	2,586,879.31	298,000.00
	CSIC Zhongnan Equipment Co., Ltd.	2,332,313.27	4,419,598.00
	China Shipbuilding NDRI Engineering Co., Ltd.	2,297,646.26	7,501,093.89
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	2,129,759.68	18,901.28
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	2,087,164.99	2,141,414.68
	Shanghai Hudong Shipyard Valve Co., Ltd.	1,830,993.41	1,856,729.41
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	1,691,970.46	5,170,756.85
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	1,467,586.21	1,824,049.14
	Shanghai Marine Diesel Engine Research Institute	1,442,300.00	
	Guangzhou Shipyard Co., Ltd.	1,339,303.40	449,124.09
	Wuhan Lingan Technology Co., Ltd.	1,300,650.00	1,300,650.00
	Harbin Guanghan Power Transmission Co., Ltd.	910,000.00	10,173,000.00

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	Dalian Shipping Factory Tools Industry Company	906,753.02	
	Xiamen Sunrui Ship Coatings Co., Ltd.	895,291.17	185,132.30
	Zhongshan GSI Marine Engineering Company Limited	871,354.50	871,354.50
	Yichang Marine Diesel Co., Ltd.	865,151.73	2,711,151.73
	Shanghai Hunter Marine Equipment Co., Ltd.	730,616.97	730,616.97
	Guangzhou Shipyard HR Service Co., Ltd.	722,302.50	
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	694,126.95	1,266,005.17
	China Shipbuilding Trading (BVI) Co., Ltd.	625,043.86	
	CSSC Marine Power (Zhenjiang) Co. Ltd.	618,000.00	8,056,883.71
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	541,410.90	934,752.25
	China Shipbuilding Group Co., Ltd.		
	712 Research Institute	503,000.00	
	China Shipbuilding IT Co., Ltd.	454,292.05	206,692.05
	CSSC Jiujiang Boiler Co., Ltd.	451,362.00	1,268,761.12
	Henan Diesel Engine Heavy Engineering Co., Ltd.	427,146.67	1,481,887.30
	Guangdong GSI Elevator Machinery Equipment Co., Ltd.	409,975.00	928,667.93
	CSIC Material Trade Group Guangzhou Co., Ltd.	384,458.94	384,458.94
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	381,890.82	1,344,023.39
	China Shipbuilding Industry Complete Logistics Co., Ltd.	376,716.86	376,716.86
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	360,524.90	360,524.90
	Wuhan Huazhongtianqin Defense Technology Co., Ltd.	356,603.76	356,603.76
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	341,624.53	341,624.53
	China Shipbuilding Trading Co., Ltd.	247,214.87	264,555.36
	Beijing Leiyin Electronic Technology Development Co., Ltd.	246,000.00	1,866,780.00
	Dalian Shipbuilding Industry Engineering Company	240,300.62	43,384,664.89
	CSSC Hua Hai Ships Equipment Co., Ltd.	185,000.00	3,700,000.00
	CSSC Dalian Marine Propeller Co., Ltd.	169,641.71	169,641.71
	Haifeng Navigation Technology Co., Ltd.	150,244.96	150,244.96
	Chongqing Changzheng Heavy Industry Co., Ltd.	147,823.40	1,117,180.00
	Technician Training School of Guangzhou Huangpu Shipyard	138,223.86	
	Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	120,000.00	120,000.00
	Wuhan Kawasaki Marine Machinery Co., Ltd.	114,000.00	114,000.00
	CSIC Chongqing Changping Machinery Co., Ltd.	104,280.00	173,280.00
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	93,972.77	93,972.77
	Zibo Torch Energy Co., Ltd.	91,243.96	342,125.31
	Wah-Chang International Marine Industry Company Limited	89,767.71	89,767.71
	China Shipbuilding Equipment & Materials Northeast Corporation	84,805.80	5,465,553.64
	CSSC Finance Company Limited	83,000.00	83,000.00
	Jiujiang Precision Testing Technology Research Institute	82,613.70	82,613.70
	CSSC Electronic Technology (Sanya) Co., Ltd.	80,000.00	



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From 1 January 2022 to 31 December 2022

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

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	CSIC Diesel Engine Co., Ltd.	<b>56,637.17</b>	70,637.17
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	<b>55,370.00</b>	38,880.00
	Shanghai Huajing Power Station Equipment Co., Ltd.	<b>51,025.64</b>	51,025.64
	KSEC Intelligent Technology Co., Ltd.	<b>47,250.00</b>	47,250.00
	Chongqing Huayu Electrical Group Limited	<b>40,000.00</b>	40,000.00
	Anqing CSSC Diesel Engine Co., Ltd.	<b>30,280.09</b>	5,117,430.09
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	<b>27,558.00</b>	27,558.00
	CSSC Dalian New Consumables Co., Ltd.	<b>26,601.11</b>	19,011.11
	Anqing Marine Electric Co., Ltd.	<b>18,000.00</b>	50,610.00
	China Shipbuilding Industry Corporation 12 Research Institute	<b>17,150.00</b>	17,150.00
	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd.	<b>16,000.00</b>	16,000.00
	Guangzhou Hairong Construction Supervision Co., Ltd.	<b>10,273.38</b>	10,273.38
	Shanghai Qiyao Heavy Industry Co., Ltd.	<b>3,419.08</b>	0.28
	Shanghai Hengtuo Industrial Development Co., Ltd.	<b>1,282.05</b>	1,282.05
	CSSC Systems Engineering Research Institute		450,047,008.75
	China Shipbuilding Industry Corporation 715 Research Institute		249,248,600.00
	China Shipbuilding Industry Corporation 704 Research Institute		119,545,646.06
	China Shipbuilding Industry Corporation 716 Research Institute		70,422,301.73
	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
	China Shipbuilding Industry Corporation 709 Research Institute		47,768,500.00
	China Shipbuilding Industry Corporation 711 Research Institute		47,144,605.70
	Wuhan Marine Machinery Co., Ltd.		44,214,450.56
	China Shipbuilding Industry Corporation 707 Research Institute		30,299,625.00
	China Shipbuilding Industry Corporation 723 Research Institute		25,154,000.00
	China Shipbuilding Industry Corporation 724 Research Institute		20,507,600.00
	China Shipbuilding Industry Corporation 717 Research Institute		14,088,000.00
	China Shipbuilding Industry Corporation 11 Research Institute		12,334,424.54
	Shanghai Merchant Vessel Design and Research Institute		7,480,000.00
	TTS Hua Hai Ships Equipment Co., Ltd.		5,078,562.82
	China Shipbuilding International Trading Co., Ltd.		3,636,175.00
	Shanghai Marine Energy Saving Technology Development Co., Ltd.		1,290,000.00
	China Shipbuilding Industry Corporation 722 Research Institute		1,196,065.00
	China Shipbuilding Industry Corporation 703 Research Institute		1,087,670.00
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.		771,499.89
	CSSC Electronic Technology Co., Ltd.		714,629.18
	China Institute of Marine Technology & Economy of China State Shipbuilding Corporation		611,000.00

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.		513,189.00
	CSIC Electrical Machinery Science&Technology Co., Ltd.		507,852.00
	China Shipbuilding Industry Corporation 712 Research Institute		503,000.00
	CSSC Marine Services Co., Ltd.		493,381.38
	TTS Bohai Trading (DaLian) Co., Ltd.		420,000.00
	Guangzhou Shipyard International Company Limited		409,843.28
	Shanghai Kaiyue Construction Consulting and Supervision Co., Ltd.		375,582.49
	Suzhou Jianghai Communication Co., Ltd.		321,150.00
	Guangzhou Wencheng Shipbuilding Co., Ltd.		265,402.83
	CSIC Haisheng Technology Co., Ltd.		222,000.00
	CSSC Marine Power Components Co., Ltd.		147,200.00
	CSSC Jiai Cruise Technology Development (Shanghai) Co., Ltd.		126,000.00
	Shanghai Waigaoqiao Shipbuilding & Marine Engineering Design Co. Ltd.		84,650.00
	Shanxi Fenxi Heavy Industry Co., Ltd.		78,600.00
	Zhendui Industrial Intelligent Technology Co., Ltd.		56,000.00
	Wuchang Shipbuilding Industry Group Co., Ltd.		33,000.00
	Wartsila CME Zhenjiang Propeller Co., Ltd.		8,461.54
	Shanghai Qiyao System Engineering Co., Ltd.		3,418.80
	Eastern Shanghai Heavy Machinery Co., Ltd.		1,500.00
Contract liabilities		<b>187,989,893.96</b>	83,986,856.65
	CSSC (Hong Kong) Shipping Company Limited	<b>153,225,930.97</b>	
	Guangzhou Shipyard International Company Limited	<b>25,279,147.07</b>	50,406,816.07
	Jiangnan Shipyard (Group) Co., Ltd.	<b>6,097,013.45</b>	
	Marine Design and Research Institute of China	<b>1,569,811.32</b>	
	China Ship Development and Design Center	<b>1,056,584.07</b>	
	China Shipbuilding Group Co., Ltd. 703 Research Institute	<b>761,407.08</b>	
	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
	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.		1,899,800.88
	China Shipbuilding Group Co., Ltd.		1,733,679.25
	Wuxi Division of China Shipbuilding Industry Corporation 703 Research Institute		481,566.37
	China Shipbuilding IT Co., Ltd.		226,358.49
	Technician Training School of Guangzhou Huangpu Shipyard		203,548.40
	CSSC Guijiang Shipbuilding Co., Ltd.		90,265.49

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
Other payables		<b>44,180,448.24</b>	2,194,526.88
	Guangzhou Wenchong Industrial Co., Ltd.	<b>32,000,000.00</b>	
	Wuhan Marine Machinery Co., Ltd.	<b>5,244,785.70</b>	
	China Shipbuilding Group Co., Ltd.		
	703 Research Institute	<b>2,666,100.00</b>	
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	<b>1,002,700.00</b>	
	China Shipbuilding Group Co., Ltd.		
	717 Research Institute	<b>850,000.00</b>	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	<b>535,511.58</b>	
	CSSC Finance Company Limited	<b>400,000.00</b>	400,000.00
	CSSC Southern China Ship Machinery Co., Ltd.	<b>343,000.00</b>	
	China Shipbuilding NDRI Engineering Co., Ltd.	<b>216,750.00</b>	216,750.00
	Shanghai Marine Diesel Engine Research Institute	<b>203,900.00</b>	
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	<b>203,400.00</b>	203,400.00
	Jiangxi Chaoyang Machinery Co., Ltd.	<b>200,000.00</b>	200,000.00
	China Shipbuilding Group Co., Ltd.		
	722 Research Institute	<b>110,000.00</b>	
	China Shipbuilding Industry Corporation		
	725 Research Institute (Luoyang Ship Material Research Institute)	<b>80,000.00</b>	
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	<b>59,000.00</b>	
	China Shipbuilding Group Co., Ltd.		
	726 Research Institute	<b>44,000.00</b>	
	China Shipbuilding Trading Co., Ltd.	<b>9,114.22</b>	
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	<b>4,000.00</b>	4,000.00
	China Shipbuilding Industry Complete Logistics Co., Ltd.	<b>3,226.74</b>	
	CSSC Financial Leasing (Shanghai) Co., Ltd.	<b>1,831.33</b>	
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	<b>967.46</b>	
	Marine Design and Research Institute of China	<b>960.00</b>	65,521.72
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	<b>801.21</b>	
	CSSC Beijing Ship Management College	<b>400.00</b>	
	Dalian Shipbuilding Industry Engineering Company		703,200.00
	Wuxi Division of China Shipbuilding Industry Corporation 703 Research Institute		291,000.00
	CSSC Haizhuang Windpower Co., Ltd.		110,155.16
	Shanghai Kaiyue Construction Consulting and Supervision Co., Ltd.		500.00
Short-term borrowings		<b>845,000,000.00</b>	1,140,000,000.00
	China State Shipbuilding Corporation Limited	<b>540,000,000.00</b>	
	CSSC Finance Company Limited	<b>305,000,000.00</b>	1,140,000,000.00

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
Interests on short-term borrowings		566,833.35	836,527.79
	China State Shipbuilding Corporation Limited	396,000.01	
	CSSC Finance Company Limited	170,833.34	836,527.79
Long-term borrowings due with one year		1,092,000,000.00	
	China State Shipbuilding Corporation Limited	1,092,000,000.00	
Interests on long-term borrowings due with one year		771,466.67	
	China State Shipbuilding Corporation Limited	771,466.67	
Long-term borrowings		2,181,000,000.00	
	China State Shipbuilding Corporation Limited	2,181,000,000.00	
Interests on long-term borrowings		1,229,910.00	
	China State Shipbuilding Corporation Limited	1,229,910.00	
Lease liabilities due within one year		22,522,793.62	22,059,485.21
	Guangzhou Ship Industrial Co., Ltd.	19,562,113.28	6,461,225.31
	Guangzhou Shipyard International Company Limited	1,752,336.47	1,704,687.33
	Guangzhou Wenchong Industrial Co., Ltd.	1,208,343.87	13,807,191.13
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.		86,381.44
Lease liabilities		51,827,444.04	74,350,237.76
	Guangzhou Ship Industrial Co., Ltd.	27,174,710.44	33,794,103.76
	Guangzhou Shipyard International Company Limited	24,652,733.60	26,405,070.05
	Guangzhou Wenchong Industrial Co., Ltd.		14,151,063.95
<b>Total</b>		<b>7,900,210,947.69</b>	<b>5,526,824,817.89</b>

### 3. Receivables of the Company from its subsidiaries

None.

### 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		5,228,365.75	16,295,865.75
	Wenchong Industrial Internet	5,228,365.75	16,228,365.75
			67,500.00
<b>Total</b>		<b>5,228,365.75</b>	<b>16,295,865.75</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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
<b>Amount for the year</b>					
<b>Executive Directors</b>					
Han Guangde (1.1-8.2)					
Chen Zhongqian					
Chen Liping (General Manager)		1,178,021.00	78,977.99	113,518.64	1,370,517.63
Xiang Huiming		1,864,110.00	76,432.09	79,666.70	2,020,208.79
Chen Ji					
<b>Non-executive Directors</b>					
Gu Yuan					
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
<b>Sub-total of Directors</b>	<b>800,000.00</b>	<b>3,042,131.00</b>	<b>155,410.08</b>	<b>193,185.34</b>	<b>4,190,726.42</b>
<b>Supervisors</b>					
Chen Shuofan					
Chen Shu	120,000.00				120,000.00
Zhu Weibin	120,000.00				120,000.00
Zhang Qinghuan					
Li Kai		621,623.38	76,432.09	70,142.70	768,198.17
<b>Sub-total of Supervisors</b>	<b>240,000.00</b>	<b>621,623.38</b>	<b>76,432.09</b>	<b>70,142.70</b>	<b>1,008,198.17</b>
<b>Total</b>	<b>1,040,000.00</b>	<b>3,663,754.38</b>	<b>231,842.17</b>	<b>263,328.04</b>	<b>5,198,924.59</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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
<b>Amount for last year</b>					
<b>Executive Directors</b>					
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
<b>Non-executive Directors</b>					
Chen Ji					
Ren Kaijiang (12.22-12.31)					
Gu Yuan					
<b>Independent Directors</b>					
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
<b>Sub-total of Directors</b>	<b>800,000.00</b>	<b>1,882,566.00</b>	<b>143,289.02</b>	<b>288,279.12</b>	<b>3,114,134.14</b>
<b>Supervisors</b>					
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
<b>Sub-total of Supervisors</b>	<b>240,000.00</b>	<b>752,330.13</b>	<b>90,672.88</b>	<b>89,202.82</b>	<b>1,172,205.83</b>
<b>Total</b>	<b>1,040,000.00</b>	<b>2,634,896.13</b>	<b>233,961.90</b>	<b>377,481.94</b>	<b>4,286,339.97</b>

Other explanations: 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 2022 to 31 December 2022

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

## 2. Total five of the salaries

Of the five highest paid individuals for the year, 1 is Director, 4 are senior management of the Company and subsidiaries (last year: 2 Directors, 3 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 4 individuals is as follows:

Item	Amount for the year	Amount for last year
Salaries, subsidies, allowances and bonuses	6,077,938.00	2,383,994.60
Social insurance and housing fund	305,728.36	213,761.01
Pension	318,666.80	330,013.68
<b>Total</b>	<b>6,702,333.16</b>	<b>2,927,769.29</b>

Band of remuneration:

Item	Number of persons for the year	Number of persons for last year
Less than HK\$1,000,000		
HK\$1,000,001 to HK\$1,500,000		3
HK\$1,500,001 to HK\$2,000,000	3	
HK\$2,000,001 to HK\$2,500,000	1	

Other explanations: 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	6,394,687.38	5,190,363.13
Social insurance and housing fund	388,954.01	379,037.90
Pension	457,415.32	734,577.06
<b>Total</b>	<b>7,241,056.71</b>	<b>6,303,978.09</b>

### (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 2022 to 31 December 2022

(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. Capital expenditure commitments

Capital expenditure commitments that have been contracted but not yet required to be listed on the balance sheet:

Type	Year-end amount
Buildings, structures, machinery and equipment	193,447,636.75
Intangible assets	5,803,063.25
<b>Total</b>	<b>199,250,700.00</b>

#### 2. Pledge of assets

As at the end of the year, the Group did not have any pledge of assets.

#### 3. 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	HKD
Letters of performance guarantee	485,203,054.18	15,154,250.00	
Letters of advancement payment guarantee	9,737,465.00	386,035,600.00	
Letters of warranty guarantee	73,070,243.17		
Letters of customs duties guarantee	113,902,000.00		
Letter of other non-financing guarantee	565,056.00		
<b>Total</b>	<b>682,477,818.35</b>	<b>401,189,850.00</b>	

As at the end of the year, the Group's issued but undue letters of credit amounted to RMB0, US\$18,713,309.00 and EUR474,850.00.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 4. Outstanding foreign exchange option transactions

The Group attaches great importance to the study of exchange rate risk management policies and strategies, and in order to prevent exchange rate risks, it entered into forward foreign exchange contracts (forward settlement and sale of foreign exchange), foreign exchange swaps, and foreign exchange option trading portfolio contracts with banks. At the end of the year, there were a total of 114 undelivered forward settlements with an amount of US\$1,391.1900 million, which the longest delivery period is up to 25 October 2026. There was a total of 1 undelivered swap with an amount of US\$40 million, which the delivery period is up to 13 January 2023. There were 59 undelivered option portfolios with an amount of US\$226.6300 million, which the longest delivery period is up to 23 December 2024.

## 5. Fulfilment of previous commitments

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

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

## XIII. EVENTS AFTER THE BALANCE SHEET DATE

### Profit distribution

According to the resolutions made on the 19th meeting of the 10th session of the Board dated 30 March 2023, the Company proposed to distribute a cash dividend of RMB0.10 (including tax) for every 10 shares to all shareholders, and the total cash dividends to be distributed would be RMB14,135,063.78 (including tax), calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2022, which represented 2.05% of the net profit attributable to the shareholders of the listed company for the year. The remaining undistributed profit of RMB954,983,515.14 would be carried forward for distribution in subsequent years. The Company will not convert capital reserve into share capital for 2022. This profit distribution proposal is subject to approval at the 2022 annual general meeting.

## XIV. CAPITAL MANAGEMENT

The main objectives of the Group's capital management are:

- To ensure the Group's ability to continue as a going concern so as to continuously provide returns to shareholders and other stakeholders; and
- To price the products and services according to the risk level so as to provide adequate returns to shareholders.

The Group sets the capital amount in proportion to risk, manages and adjusts the capital structure based on changes in the economic environment and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or the capital returned to shareholders, issue new shares or sell assets to reduce liabilities.

The Group monitors capital based on the adjusted debt-to-capital ratio.

The adjusted debt-to-capital ratio of the Group on the balance sheet date is as follows:

	Ending balance	Beginning balance
Short-term borrowings	2,881,008,138.92	1,914,936,125.56
Long-term borrowings	2,230,247,510.00	3,189,417,299.77
Financial liabilities held-for-trading	5,919,716.73	
Lease liabilities	114,585,384.56	169,778,977.55
Non-current liabilities due within one year	1,459,215,392.42	951,219,195.92
Less: Cash at bank and on hand	14,813,771,761.29	9,560,403,363.57
Financial assets held-for-trading	29,872,972.39	3,281,028,607.57
Adjusted net liabilities	-8,152,668,591.05	-6,616,080,372.34
Owners' equity	18,750,703,863.88	18,670,818,478.28
Adjusted capital	18,750,703,863.88	18,670,818,478.28
Adjusted debt-to-capital ratio	-43.48%	-35.44%

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## XV. OTHER SIGNIFICANT EVENTS

### (I) Correction of previous accounting errors

#### 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 reportable segments and accounting policies

According to the Group's internal organizational structure, management requirements, and internal reporting system, the segments of the operation can be divided into 3 categories based on the different types of main products. The management of the Group evaluates operating outcomes of these segments periodically in order to make decisions concerning resource distributions and operating result assessments. The Group is currently organized into shipbuilding, steel structure projects and others.

Segment reporting information is disclosed according to accounting policies and measurement basis used in reports presented by each segment to the management. These accounting policies and measurement basis are consistent with those adopted in drafting financial statements.

#### 2. Financial information of reportable segments

Current year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance segment	Other segment	Inter-segment elimination	Total
Operating income	13,565,238,205.89	1,645,939,100.76	1,896,730,359.07	855,705,725.25	-5,168,488,473.10	12,795,124,917.87
Including: Revenue from external transactions	8,955,038,639.60	1,534,669,498.95	1,892,919,952.76	412,496,826.56		12,795,124,917.87
Revenue from inter-segment transactions	4,610,199,566.29	111,269,601.81	3,610,406.31	443,208,898.69	-5,168,488,473.10	
Income from investments in associates and joint ventures	261,131.08	4,111,243.50		660,516,716.23	-31,856,320.47	633,032,770.34
Credit impairment loss	26,113,385.78	-4,735,849.31		-740,139.51		20,637,396.96
Impairment losses on assets	-123,006,306.25	-34,482.76				-123,040,789.01
Depreciation fee and amortization fee	320,588,300.72	45,266,503.20	173,231.26	66,326,515.74	78,206.22	432,432,757.14
Total profits (total losses)	96,025,542.96	30,200,980.57	610,982.05	699,542,095.82	-126,232,366.12	700,147,235.28
Income tax expense	-9,370,188.78	-709,433.79	13,360.47	154,515.40		-9,911,746.70
Net profit (net loss)	105,395,731.74	30,910,414.36	597,621.58	699,387,580.42	-126,232,366.12	710,058,981.98
Total assets	40,398,135,705.86	2,130,872,206.56	7,301,089.36	16,289,818,615.98	-12,346,340,973.11	46,479,786,644.65
Total liabilities	31,637,942,391.72	1,779,787,210.50	33,194.09	3,115,225,161.13	-8,803,905,176.67	27,729,082,780.77
Capitalized expenditure	2,420,619,121.76	5,406,000.00	90,833.00	86,117,742.04	-61,811,776.62	2,450,421,920.18

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Amount for last year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance segment	Other segment	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 inter-segment transactions	2,240,771,461.19	108,888,985.25	5,954,626.43	529,073,233.78	-2,884,688,306.65	
Income from investments in associates and joint ventures	217,540.17	578,836.13		11,387,712.43	-217,540.17	11,966,548.56
Credit impairment loss	-32,528,989.75	-3,927,293.01		-449,446.13		-36,905,728.89
Impairment losses on assets	-98,987,573.77	-56,959.18				-99,044,532.95
Depreciation fee and amortization fee	264,738,234.63	17,146,586.59	214,595.27	51,352,292.21	13,844,325.57	347,296,034.27
Total profits (total losses)	56,227,906.65	24,641,497.19	1,066,040.01	63,460,027.27	-30,246,591.32	115,148,879.80
Income tax expense	11,630,031.13	-582,253.31	31,604.00	-119,793.68		10,959,588.14
Net profit (net loss)	44,597,875.52	25,223,750.50	1,034,436.01	63,579,820.95	-30,246,591.32	104,189,291.66
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
Capitalized expenditure	547,343,468.55		1,050,532.50	136,397,348.28	-390,100,083.32	294,691,266.01

(1) Revenue from external transactions by origin of revenue

Item	Current year	Last year
Revenue from external transactions derived from China	<b>11,484,659,097.51</b>	11,310,936,393.75
Revenue from external transactions derived from other countries	<b>1,310,465,820.36</b>	360,657,129.72
<b>Total</b>	<b>12,795,124,917.87</b>	11,671,593,523.47

(2) Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China (excluded Hong Kong)	<b>12,257,641,477.25</b>	11,352,854,899.20
Hong Kong	<b>802,286,452.1</b>	417,695,444.50
<b>Total</b>	<b>13,059,927,929.35</b>	11,770,550,343.70

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

(3) Other important matters that have an impact on investors' decision-making

None.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## XVI. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

### (I) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash on hand		
Digital currency		
Bank deposits	854,215,666.15	66,939,423.22
Other cash at bank and on hand	576,886,667.78	918,806,694.45
<b>Total</b>	<b>1,431,102,333.93</b>	<b>985,746,117.67</b>
Including: Deposit in finance company	1,030,702,126.5	50,842,836.31
Total amount deposited overseas		

The monetary funds which were limited to use by mortgage, pledge, and being frozen, limited to access due to centralized 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	533,000,000.00	890,000,000.00
Interests from fixed deposits	43,886,667.78	28,806,694.45
<b>Total</b>	<b>576,886,667.78</b>	<b>918,806,694.45</b>

### (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
Including: Investment in debt instruments		
Investments in equity instruments		
Entrusted wealth management		600,411,000.00
Structured deposits		
Financial assets at fair value through profit or loss		
Including: Forward exchange contracts		
<b>Total</b>		<b>600,411,000.00</b>

#### 2. Analysis of financial assets held-for-trading

Item	Fair value at the end of the year	Fair value at the beginning of the year
Listed		
Unlisted		600,411,000.00
<b>Total</b>		<b>600,411,000.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (III) Accounts receivable

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

Ageing	Ending balance	Beginning balance
Within one year		16,228,365.75
1-2 years	5,228,365.75	
2-3 years		
3-4 years		768,468.86
4-5 years	768,468.86	
Over 5 years		
Subtotal	5,996,834.61	16,996,834.61
Less: Provision for bad debts	1,137,611.67	614,775.09
<b>Total</b>	<b>4,859,222.94</b>	<b>16,382,059.52</b>

### 2. Credit period of accounts receivable

#### Business

Shipbuilding business  
Other business

#### Credit period

One month after issue of invoices  
Generally 1 to 6 months

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

Class	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	5,996,834.61	100.00	1,137,611.67	18.97	4,859,222.94
	5,996,834.61	100.00	1,137,611.67	18.97	4,859,222.94
<b>Total</b>	<b>5,996,834.61</b>	<b>100.00</b>	<b>1,137,611.67</b>		<b>4,859,222.94</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Class	Book balance		Beginning balance		Carrying value
	Amount	Percentage (%)	Provision for bad debts		
			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
<b>Total</b>	<b>16,996,834.61</b>	<b>100.00</b>	<b>614,775.09</b>		<b>16,382,059.52</b>

(1) Accounts receivable of provision for bad debts made on an individual basis

None.

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

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Ageing portfolio	<b>5,996,834.61</b>	<b>1,137,611.67</b>	<b>18.97</b>
<b>Total</b>	<b>5,996,834.61</b>	<b>1,137,611.67</b>	

Of which, breakdown of the ageing portfolio is as follows:

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
With one year (one year inclusive)			
1-2 years	5,228,365.75	522,836.58	10.00
2-3 years			
3-4 years			
4-5 years	768,468.86	614,775.09	80.00
Over 5 years			
<b>Total</b>	<b>5,996,834.61</b>	<b>1,137,611.67</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

#### 4. Provision for bad debts made, reversed or recovered during the period

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	614,775.09	522,836.58			1,137,611.67
<b>Total</b>	614,775.09	522,836.58			1,137,611.67

#### 5. Accounts receivable written-off during the period

None.

#### 6. Top five accounts receivable by ending balance of debtors

Name of Unit	Ending balance		
	Accounts receivable	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts
China Railway 11th Bureau First Engineering Co., Ltd.	5,228,365.75	87.19	522,836.58
Guangzhou Municipal Engineering Testing Co., Ltd	768,468.86	12.81	614,775.09
<b>Total</b>	5,996,834.61	100.00	1,137,611.67

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

None.

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

None.

#### (IV) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable		
Other receivables	794,605.06	301,242.19
<b>Total</b>	794,605.06	301,242.19

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Other receivables:

**(1) Disclosure by ageing**

Ageing	Ending balance	Beginning balance
Within one year	569,257.06	48,658.52
1-2 years		
2-3 years		248,748.00
3-4 years	225,348.00	
4-5 years		19,178.36
Over 5 years	19,178.36	
Sub-total	813,783.42	316,584.88
Loss: provision for bad debts	19,178.36	15,342.69
<b>Total</b>	<b>794,605.06</b>	<b>301,242.19</b>

**(2) Breakdown by the method using which the provision for bad debts is made**

Type	Ending balance				
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying Value
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	813,783.42	100.00	19,178.36	2.36	794,605.06
<b>Total</b>	<b>813,783.42</b>	<b>100.00</b>	<b>19,178.36</b>		<b>794,605.06</b>

Type	Beginning balance				
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying Value
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	316,584.88	100.00	15,342.69	4.85	301,242.19
<b>Total</b>	<b>316,584.88</b>	<b>100.00</b>	<b>15,342.69</b>		<b>301,242.19</b>



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

1) Other accounts receivable for which provision for bad debts is made on a individual basis

None.

2) Other accounts receivable for which provision for bad debts is made on a collective basis

Name	Ending balance		
	Other accounts receivable	Provision for bad debts	Percentage of provision (%)
Portfolio of deposit and security deposit that are not past due	225,348.00		
Portfolio of reserve funds and employee loans	70,635.52		
Portfolio of related parties within the scope of consolidation of the Group	498,621.54		
Ageing portfolio	19,178.36	19,178.36	100.00
<b>Total</b>	<b>813,783.42</b>	<b>19,178.36</b>	

Of which, the details of the Ageing portfolio are as follows:

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year (inclusive)			
1-2 years			
2-3 years			
3-4 years			
4-5 years			
Over 5 years	19,178.36	19,178.36	100.00
<b>Total</b>	<b>19,178.36</b>	<b>19,178.36</b>	

### (3) 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		3,835.67		3,835.67
Reversed during the year				
Offset during the year				
Written off during the year				
Other changes				
Ending balance		19,178.36		19,178.36

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

The changes of the book balance of other receivables were as follows:

Book balance	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	
Beginning Balance	297,406.52	19,178.36		<b>316,584.88</b>
Beginning balance for the current year				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Addition during the year	497,198.54			<b>497,198.54</b>
Derecognised during the year				
Other changes				
Ending balance	794,605.06	19,178.36		<b>813,783.42</b>

**(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	15,342.69	3,835.67			<b>19,178.36</b>
<b>Total</b>	15,342.69	3,835.67			<b>19,178.36</b>

**(5) Other receivables actually written off during the year**

None.

**(6) 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	<b>225,348.00</b>	248,748.00
Refundable deposit	<b>517,799.90</b>	19,178.36
Reserve funds	<b>70,635.52</b>	48,658.52
<b>Total</b>	<b>813,783.42</b>	316,584.88

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (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
Guangzhou Shipyard International Company Limited	Payment on behalf for Social Security	397,537.55	Within one year	48.85	
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Deposit	225,348.00	3 – 4 years	27.69	
China Shipbuilding Group Co., Ltd. (中國船舶集團有限公司)	Payment on behalf for Social Security	101,083.99	Within one year	12.42	
China Enterprise Net (Beijing) Culture Media Co., Ltd. (中企網(北京)文化傳媒有限公司)	Reserve funds	33,600.00	Within one year	4.13	
Temporary payments receivables	Temporary payments receivables	19,178.36	Over 5 years	2.36	19,178.36
Total		776,747.90		95.45	19,178.36

## (8) Other receivables related to government grants

None.

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

None.

## (10) Transfer of other receivables and continue to involve amounts of assets and liabilities formed

None.

## (5) 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
Contract performance cost	24,909,034.04		24,909,034.04	24,909,034.04		24,909,034.04
<b>Total</b>	<b>24,909,034.04</b>		<b>24,909,034.04</b>	24,909,034.04		24,909,034.04

## (6) Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	20,817,863.40	21,215,192.31
<b>Total</b>	<b>20,817,863.40</b>	21,215,192.31

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (7) 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	3,991,523,955.73		3,991,523,955.73	3,180,510,659.91		3,180,510,659.91
<b>Total</b>	<b>7,162,989,992.29</b>		<b>7,162,989,992.29</b>	<b>6,351,976,696.47</b>		<b>6,351,976,696.47</b>

### 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
<b>Total</b>	<b>3,171,466,036.56</b>			<b>3,171,466,036.56</b>

### 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	3,180,510,659.91			660,516,716.23	3,442,906.24	147,053,673.35				3,991,523,955.73	
<b>Total</b>	<b>3,180,510,659.91</b>			<b>660,516,716.23</b>	<b>3,442,906.24</b>	<b>147,053,673.35</b>				<b>3,991,523,955.73</b>	

### 3. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Unlisted	7,162,989,992.29	6,351,976,696.47
<b>Total</b>	<b>7,162,989,992.29</b>	<b>6,351,976,696.47</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (8) 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	4,845,786,728.48	5,391,698,967.64
<b>Total</b>	<b>4,845,786,728.48</b>	<b>5,391,698,967.64</b>

### 2. Analysis of investments in other equity instruments

Item	Ending balance	Beginning balance
Listed	4,845,786,728.48	5,391,698,967.64
Including: China (except Hong Kong)	4,845,786,728.48	5,391,698,967.64
<b>Total</b>	<b>4,845,786,728.48</b>	<b>5,391,698,967.64</b>

### 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	1,987,903,528.48	4,845,786,728.48	2,857,883,200.00	2,533,815,767.64	5,391,698,967.64
CSSC Holdings	2,857,883,200.00	1,987,903,528.48	4,845,786,728.48	2,857,883,200.00	2,533,815,767.64	5,391,698,967.64
<b>Total</b>	<b>2,857,883,200.00</b>	<b>1,987,903,528.48</b>	<b>4,845,786,728.48</b>	<b>2,857,883,200.00</b>	<b>2,533,815,767.64</b>	<b>5,391,698,967.64</b>

### 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	6,524,847.48	1,987,903,528.48				
CSSC Holdings	6,524,847.48	1,987,903,528.48			Equity investments not held-for-trading	
<b>Total</b>	<b>6,524,847.48</b>	<b>1,987,903,528.48</b>				

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (9) 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	14,709,206.34	14,709,206.34
(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	21,246,631.38	21,246,631.38
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	136,186,631.58	136,186,631.58
(2) Carrying value at the beginning of the year	142,724,056.62	142,724,056.62

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: RMB6,537,425.04).
- (2) The provision for impairment of investment properties made for the year is RMB0 (last period: RMB0).
- (3) Investment properties analyzed by region and ageing

Item	Ending balance	Beginning balance
Located in China	<b>136,186,631.58</b>	142,724,056.62
Medium term (10-50 years)	<b>136,186,631.58</b>	142,724,056.62
<b>Total</b>	<b>136,186,631.58</b>	142,724,056.62

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## 2. Investment properties without property ownership certificates

As at the end of the year, included in investment properties were properties with carrying amount of RMB136,186,631.58 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	73,875,417.69	In the process of obtaining ownership certificates
Component welding workshop	59,134,103.55	In the process of obtaining ownership certificates
Sanding and coating workshop	3,177,110.34	In the process of obtaining ownership certificates
<b>Total</b>	<b>136,186,631.58</b>	

## (10) Fixed assets

### 1. Fixed assets and disposal of fixed assets

Item	Ending balance	Beginning balance
Fixed assets	4,642,135.34	4,575,092.24
Disposal of fixed assets		
<b>Total</b>	<b>4,642,135.34</b>	<b>4,575,092.24</b>

### 2. Fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
1. Original carrying amount					
(1) Beginning balance	4,272,909.88		560,223.08	1,488,468.47	6,321,601.43
(2) Increase for the year – Purchase				533,304.42	533,304.42
(3) Decrease for the year				80,780.17	80,780.17
(4) Ending balance	4,272,909.88		560,223.08	1,940,992.72	6,774,125.68
2. Accumulated depreciation					
(1) Beginning balance	563,786.91		299,862.05	882,860.23	1,746,509.19
(2) Increase for the year – Provision made	135,308.82		53,221.20	272,867.58	461,397.60
(3) Decrease for the year	135,308.82		53,221.20	272,867.58	461,397.60
(4) Ending balance	699,095.73		353,083.25	1,079,811.36	2,131,990.34
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	3,573,814.15		207,139.83	861,181.36	4,642,135.34
(2) Carrying value at the beginning of the year	3,709,122.97		260,361.03	605,608.24	4,575,092.24

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

Other explanations:

The depreciation of fixed assets recognized in profit or loss during the current year is RMB461,397.60 (last year: RMB7,080,576.28).

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	<b>3,573,814.15</b>	3,709,122.97
Of which: medium term (10-50 years)	<b>3,573,814.15</b>	3,709,122.97
<b>Total</b>	<b>3,573,814.15</b>	3,709,122.97

### (11) 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	2,730,577.09	2,730,577.09
(4) Ending balance		
2. Accumulated depreciation		
(1) Beginning balance	2,654,727.60	2,654,727.60
(2) Increase for the year	75,849.49	75,849.49
– Provision made	75,849.49	75,849.49
(3) Decrease for the year	2,730,577.09	2,730,577.09
(4) Ending balance		
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		
(2) Carrying value at the beginning of the year	75,849.49	75,849.49

Other explanations: The depreciation of right-of-use assets recognized in profit or loss during the current year is RMB75,849.49 (last year: RMB910,192.32).



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (12) Long-term deferred expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases	Ending balance
Renovation of Ship Building's office	28,836.15		28,836.15		
<b>Total</b>	<b>28,836.15</b>		<b>28,836.15</b>		

## (13) 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	1,987,903,528.48	496,975,882.12	2,533,815,767.64	633,453,941.91
Change in fair value of financial instruments held-for-trading			411,000.00	102,750.00
<b>Total</b>	<b>1,987,903,528.48</b>	<b>496,975,882.12</b>	<b>2,534,226,767.64</b>	<b>633,556,691.91</b>

### 2. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	1,156,790.03	630,117.78
Deductible tax loss	15,516,453.58	33,071,911.17
<b>Total</b>	<b>16,673,243.61</b>	<b>33,702,028.95</b>

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

Year	Ending balance	Beginning balance	Note
2023	2,705,512.48	20,260,970.07	
2024	12,810,941.10	12,810,941.10	
<b>Total</b>	<b>15,516,453.58</b>	<b>33,071,911.17</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (14) Accounts payable

### 1. Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	17,270,736.58	18,443,145.94
Retention money	5,228,365.75	15,055,956.39
Other construction and labour services	477,106.29	426,681.76
<b>Total</b>	<b>22,976,208.62</b>	<b>33,925,784.09</b>

### 2. Significant accounts payable aged over one year

Item	Ending balance	Reason for unsettlement or carrying forward
Guangzhou Shipyard International Company Limited	16,343,425.69	Not yet due
Guangzhou Wenchuan Heavy Industrial Co. Ltd.	5,228,365.75	Not yet due
<b>Total</b>	<b>21,571,791.44</b>	

## (15) Contract liabilities

### 1. Contract liabilities

Item	Ending balance	Beginning balance
Electromechanical products and other contractual receivables in advance	24,173,111.03	23,764,409.51
<b>Total</b>	<b>24,173,111.03</b>	<b>23,764,409.51</b>

Other explanations: Included in the carrying value of contract liabilities at the beginning of the year was income recognized of RMB0.

### 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	408,701.52	There was a difference between the collection progress and the progress of revenue confirmation
<b>Total</b>	<b>408,701.52</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (16) 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		10,258,305.67	10,258,305.67	
Post-employment benefits – defined contribution plans		1,126,831.70	1,126,831.70	
Retirement benefits		535,730.63	535,730.63	
<b>Total</b>		<b>11,920,868.00</b>	<b>11,920,868.00</b>	

### 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		7,819,826.00	7,819,826.00	
(2) Employee benefits		942,115.49	942,115.49	
(3) Social insurance contribution Including: Medical and maternity insurance contribution		305,229.78	305,229.78	
Work-related injury insurance contribution		290,291.87	290,291.87	
(4) Housing fund		14,937.91	14,937.91	
(5) Labour union & employee education funds		620,344.00	620,344.00	
(6) Short-term paid absence		404,907.41	404,907.41	
(7) Short-term profit-sharing plan				
(8) Outsourcing labour costs and other		165,882.99	165,882.99	
<b>Total</b>		<b>10,258,305.67</b>	<b>10,258,305.67</b>	

### 3. Defined contribution plans

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

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

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		573,793.08	573,793.08	
Unemployment insurance contribution		41,356.62	41,356.62	
Corporate annuity payment		511,682.00	511,682.00	
<b>Total</b>		<b>1,126,831.70</b>	<b>1,126,831.70</b>	

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 2022 to 31 December 2022

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

### (17) Taxes payable

Item	Ending balance	Beginning balance
Individual income tax	658,196.54	384,587.95
Property tax	9,147.36	9,147.36
Land use tax	919.92	919.92
Other taxes	14,950.94	16,273.10
<b>Total</b>	<b>683,214.76</b>	<b>410,928.33</b>

### (18) Other payables

Item	Ending balance	Beginning balance
Interest payable		
Dividends payable	761,400.08	312,941.09
Other payables	147,991.75	96,627.38
<b>Total</b>	<b>909,391.83</b>	<b>409,568.47</b>

#### 1. Dividends payable

Item	Ending balance	Beginning balance
Ordinary share dividends	761,400.08	312,941.09
Including: Dividends payable for A shares	82,389.51	74,989.77
Dividends payable for H shares	679,010.57	237,951.32
<b>Total</b>	<b>761,400.08</b>	<b>312,941.09</b>

#### 2. Other payables

Item	Ending balance	Beginning balance
Payables for temporary receipts	147,991.75	96,627.38
<b>Total</b>	<b>147,991.75</b>	<b>96,627.38</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (19) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Lease liabilities due within one year		86,381.44
<b>Total</b>		<b>86,381.44</b>

## (20) Share capital

For details, please see Note V (39) Share Capital.

## (21) Capital reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	6,246,714,797.85			<b>6,246,714,797.85</b>
Other capital reserve	2,189,826,617.01	147,053,673.35		<b>2,336,880,290.36</b>
<b>Total</b>	<b>8,436,541,414.86</b>	<b>147,053,673.35</b>		<b>8,583,595,088.21</b>

Other explanations: The increase in other capital reserves during the year was due to changes in the capital reserves and special reserves of associates recognized according to their shareholding ratio and the increase in capital reserves recognized for changes in the share of net assets entitled after the passive dilution of the shareholding ratio of associates as a result of capital increase by other parties.

## (22) Other comprehensive income

Item	Beginning balance	Amount for the year				Amount attributable to non-controlling interests after tax	Ending balance
		Amount incurred for the period before income tax	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		
1. Other comprehensive income that may not be subsequently reclassified to profit and loss	1,897,973,747.33	-542,469,332.92			-136,478,059.79	-405,991,273.13	<b>1,491,982,474.20</b>
Including: Other comprehensive income that cannot be transferred to profit or loss under the equity method	-2,388,078.40	3,442,906.24				3,442,906.24	<b>1,054,827.84</b>
Change in fair value of investments in other equity instruments	1,900,361,825.73	-545,912,239.16			-136,478,059.79	-409,434,179.37	<b>1,490,927,646.36</b>
2. Other comprehensive income that may be reclassified to profit or loss							
Total other comprehensive income	1,897,973,747.33	-542,469,332.92			-136,478,059.79	-405,991,273.13	<b>1,491,982,474.20</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

### (23) Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	540,337,839.13	69,248,183.81		<b>609,586,022.94</b>
Discretionary surplus reserve	18,582,196.43			<b>18,582,196.43</b>
<b>Total</b>	<b>558,920,035.56</b>	<b>69,248,183.81</b>		<b>628,168,219.37</b>

Other explanations: 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.

### (24) Undistributed profit

Item	Current year	Last year
Undistributed profits as at the end of last year before adjustment	<b>540,948,804.84</b>	718,135,411.74
Beginning adjustment to undistributed profits (increase +, decrease -)		
Undistributed profits as at the beginning of the year after adjustment	<b>540,948,804.84</b>	718,135,411.74
Add: Net profit attributable to owners of the Company for the year	<b>692,481,838.05</b>	64,453,228.80
Add: Transfer from other comprehensive income to retained earnings		-552,454.07
Less: Statutory surplus reserve set aside	<b>69,248,183.81</b>	6,445,322.88
Dividends payable on ordinary shares	<b>195,063,880.16</b>	234,642,058.75
Undistributed profits as at the end of the year	<b>969,118,578.92</b>	540,948,804.84

### (25) Net current assets

Item	Ending balance	Beginning balance
Current assets	<b>1,482,483,059.37</b>	1,648,964,645.73
Less: Current liabilities	<b>48,741,926.24</b>	58,597,071.84
Net current assets	<b>1,433,741,133.13</b>	1,590,367,573.89

### (26) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	<b>13,632,088,547.06</b>	13,540,044,144.34
Less: Current liabilities	<b>48,741,926.24</b>	58,597,071.84
Total assets less current liabilities	<b>13,583,346,620.82</b>	13,481,447,072.50

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (27) 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
Other business	<b>13,093,200.00</b>	<b>6,537,425.04</b>	20,289,600.00	13,188,751.12
<b>Total</b>	<b>13,093,200.00</b>	<b>6,537,425.04</b>	44,352,320.90	37,206,427.19

Gross profit from principal business

Item	Current year	Last year
Income from principal business		24,062,720.90
Costs of principal business		24,017,676.07
<b>Gross profit</b>		<b>45,044.83</b>

#### (1) Principal business – by product

Product name	Amount for the year	Amount for last year
<b>Income from principal business</b>		
Electromechanical products and others		24,062,720.90
<b>Total</b>		<b>24,062,720.90</b>
<b>Costs of principal business</b>		
Electromechanical products and others		24,017,676.07
<b>Total</b>		<b>24,017,676.07</b>

#### (2) Principal business – by region

Region name	Amount for the year	Amount for last year
<b>Income from principal business</b>		
China (including Hong Kong, Macau and Taiwan)		24,062,720.90
<b>Total</b>		<b>24,062,720.90</b>
<b>Costs of principal business</b>		
China (including Hong Kong, Macau and Taiwan)		24,017,676.07
<b>Total</b>		<b>24,017,676.07</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

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

Item	Amount for the year	Amount for last year
<b>Income from other business</b>		
Lease	13,093,200.00	20,289,600.00
<b>Total</b>	<b>13,093,200.00</b>	<b>20,289,600.00</b>
<b>Costs of other business</b>		
Lease	6,537,425.04	13,188,751.12
<b>Total</b>	<b>6,537,425.04</b>	<b>13,188,751.12</b>

2. *Top five customers by operating income*

Customers	Relationship with the Group	Current year	Percentage of total income from principal business (%)
Zhongshan GSI Marine Engineering Company Limited	also controlled by China Shipbuilding Group	13,093,200.00	100.00
<b>Total</b>		<b>13,093,200.00</b>	<b>100.00</b>

3. *Purchase amounts from top five suppliers*

None.

(28) **Taxes and surcharges**

Item	Current year	Last year
City maintenance and construction tax	27,495.72	26,175.30
Educational surcharge	19,639.80	18,696.65
Property tax	36,589.44	1,214,509.44
Land use tax	3,679.68	3,679.68
Stamp duty	15,308.41	179,989.90
Vehicle and vessel usage tax	1,560.00	1,560.00
<b>Total</b>	<b>104,273.05</b>	<b>1,444,610.97</b>



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (29) Administrative expenses

Item	Current year	Last year
Employee benefits	11,920,868.00	11,485,667.07
Board meeting fee	4,348,356.49	4,759,630.72
Lease expenses	953,113.37	
Depreciation expenses	537,247.09	1,339,442.52
Intermediary expense	458,653.33	500,397.62
Office expense	107,525.08	160,668.58
Travelling expense	104,642.17	193,982.32
Repairing expenses	49,676.40	348,301.36
Business entertainment expense	19,649.80	64,322.73
Insurance premium	4,099.64	4,289.44
Litigation fees		23,433.96
Conference fee		3,773.58
Other	1,658,588.84	969,900.56
<b>Total</b>	<b>20,162,420.21</b>	<b>19,853,810.46</b>

## (30) Finance costs

### 1. Breakdown of finance costs

Item	Current year	Last year
Interest expense	265.23	6,301,151.93
Less: Interest income	24,095,301.46	29,670,564.50
exchange gains and losses	-127,206.99	644,113.52
Other expenses	57,342.99	62,497.17
<b>Total</b>	<b>-24,164,900.23</b>	<b>-22,662,801.88</b>

### 2. Breakdown of interest expenses

Item	Current year	Last year
Interest on bank borrowings and overdraft		6,277,591.04
Interest on bank borrowings due within 5 years		6,277,591.04
Other borrowings	265.23	23,560.89
Other interest expenses	265.23	23,560.89
<b>Total</b>	<b>265.23</b>	<b>6,301,151.93</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

(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	24,095,301.46	20,411,003.96
Interest income from account receivables		9,259,560.54
<b>Total</b>	<b>24,095,301.46</b>	<b>29,670,564.50</b>

### (31) Other income

Item	Current year	Last year
Government grants	77,678.04	
Handling fee for withholding individual income tax	65,114.27	10,973.41
<b>Total</b>	<b>142,792.31</b>	<b>10,973.41</b>

Government grants recognized in other income

Item	Amount for the year	Amount for last year	Relating to assets/ Relating to revenue
2022 social security employment stability refund	56,553.04		Relating to revenue
Social security one-time job retention training subsidies	19,625.00		Relating to revenue
2022 one-time employment expansion subsidy	1,500.00		Relating to revenue
<b>Total</b>	<b>77,678.04</b>		

### (32) Investment income

Item	Amount for the year	Amount for last year
Gain from long-term equity investments accounted for using equity method	660,516,716.23	11,387,712.43
Investment income from disposal of financial assets held-for-trading	344,810.00	4,979,589.04
Investment income from holding investments of other equity instruments	6,524,847.48	7,612,322.06
<b>Total</b>	<b>667,386,373.71</b>	<b>23,979,623.53</b>

Other explanations: Investment income derived from listed and unlisted type of investments for the year amounted to RMB6,524,847.48 (last year: RMB7,612,322.06) and RMB660,861,526.23 (last year: RMB16,367,301.47) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

### (33) Gain from change in fair value

Source of gain from change in fair value	Amount for the year	Amount for last year
Financial assets held-for-trading	14,925,000.00	15,684,000.00
<b>Total</b>	<b>14,925,000.00</b>	<b>15,684,000.00</b>

### (34) Credit impairment loss

Item	Amount for the year	Amount for last year
Loss on bad debts of accounts receivable	-522,836.58	-384,234.43
Loss on bad debts of other receivables	-3,835.67	
<b>Total</b>	<b>-526,672.25</b>	<b>-384,234.43</b>

Other explanations: Negative numbers of credit impairment losses indicate accrual during current period, and positive numbers indicate reversal during current period.

### (35) Gain from disposal of assets

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for current period
Gain from disposal of non-current assets		16,196,374.12	
Including: Gain from disposal of non-current assets not classified as assets held for disposal		16,196,374.12	
Including: Gain from disposal of fixed assets		16,196,374.12	
<b>Total</b>		<b>16,196,374.12</b>	

### (36) Non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for current period
Others	0.85	27,718.01	0.85
<b>Total</b>	<b>0.85</b>	<b>27,718.01</b>	<b>0.85</b>

Other explanations: The amount included in non-recurring gains and losses for the year was RMB0.85 (last year: RMB27,718.01).

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (37) 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	2,288.50		2,288.50
Of which: Loss on damaged fixed assets	2,288.50		2,288.50
Penalty and late payment fee	100.00		100.00
<b>Total</b>	<b>2,388.50</b>		<b>2,388.50</b>

Other explanations: The amount included in non-recurring gains and losses for the year was RMB2,388.50 (last year: RMB0).

## (38) Income tax expense

### 1. Breakdown of income tax expense

Item	Amount for the year	Amount for last year
Deferred tax	-102,750.00	-428,500.00
<b>Total</b>	<b>-102,750.00</b>	<b>-428,500.00</b>

### 2. Accounting profit and income tax expense adjustment process

Item	Amount for the year
Total consolidated profit	692,379,088.05
Income tax expenses calculated at statutory/applicable tax rate	173,094,772.01
Impact of different tax rates for subsidiaries	
Impact of adjustment for income tax for previous period	
Impact of non-taxable income	-168,860,429.06
Impact of non-deductible costs, expenses and losses	22,853.38
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-4,491,614.39
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	131,668.06
R&D Expenses including the effect of deduction	
Income tax expense	-102,750.00

## (39) Depreciation and amortisation

Item	Current year	Last year
Depreciation of fixed assets	461,397.60	7,080,576.28
Depreciation of right-of-use assets	75,849.49	910,192.32
Amortisation of long-term deferred expenses	28,836.15	346,035.36
Depreciation of investment properties	6,537,425.04	6,537,425.04
<b>Total</b>	<b>7,103,508.28</b>	<b>14,874,229.00</b>

## (40) Gain (or loss) from disposal of investments or properties

Gain from disposal of investment or properties during the current year is RMB0 (last year: RMB0).

## (41) Operating rental expense

Operating rental expense for the year is RMB1,039,760.04 (last year: RMB1,033,341.90).

## (42) Rental income

Operating rental income for the year is RMB13,093,200.00 (last year: RMB20,289,600.00), including rental income from land and buildings of RMB13,093,200.00 (last year: RMB20,289,600.00).

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (43) 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
Employee compensation expenses	11,920,868.00	11,485,667.07
Depreciation expenses	7,074,672.13	14,528,193.64
Amortisation expenses	28,836.15	346,035.36
Finance cost	-24,164,900.23	-22,662,801.88
Other expenses	7,675,468.97	30,700,341.58
<b>Total</b>	<b>2,534,945.02</b>	<b>34,397,435.77</b>

## (44) 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	8,293,661.53	912,450.24
Government grants	169,986.12	
Interest income	2,000,000.00	2,284,880.54
Receipt/recovery of deposit, security deposit	890,310.99	2,300,000.00
Other non-operating income		27,718.01
<b>Total</b>	<b>11,353,958.64</b>	<b>5,525,048.79</b>

### 2. Other cash payments relating to operating activities

Item	Amount for the year	Amount for last year
Payment of other current accounts	11,383,802.70	4,070,687.40
Administrative expense	7,126,478.21	6,257,976.91
Reserve funds	831,949.74	179,991.09
Non-operating expenses	100.00	
Bank charges	13,123.96	67,743.40
<b>Total</b>	<b>19,355,454.61</b>	<b>10,576,398.80</b>

### 3. Other cash receipts relating to investing activities

Item	Amount for the year	Amount for last year
Refundable fixed deposits over three months and interest income on various security deposit	915,099,930.56	
Receipt of principal and interests on loans made and settled on a consolidated basis		606,570,924.38
Principal and interest of entrusted loan		238,421,000.00
<b>Total</b>	<b>915,099,930.56</b>	<b>844,991,924.38</b>

### 4. Other cash payments relating to investing activities

Item	Current year	Last year
Refundable fixed deposits and restricted funds over three months	550,000,000.00	500,000,000.00
<b>Total</b>	<b>550,000,000.00</b>	<b>500,000,000.00</b>

### 5. Other cash payments relating to financing activities

Item	Current year	Last year
Expenditure on lease assets	90,979.00	1,085,009.00
<b>Total</b>	<b>90,979.00</b>	<b>1,085,009.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## (45) Supplementary information on cash flow statement

### 1. Supplementary information on cash flow statement

Supplementary information	Current year	Last year
<b>1. Reconciliation of net profit and cash flows from operating activities</b>		
Net profit	692,481,838.05	64,453,228.80
Add: Credit impairment loss	526,672.25	384,234.43
Provision for impairment of assets		
Depreciation of fixed assets	6,998,822.64	13,618,001.32
Depreciation of right-to-use assets	75,849.49	910,192.32
Amortisation of intangible assets		
Amortisation of long-term deferred expenses	28,836.15	346,035.36
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")		-16,196,374.12
Loss on retirement of fixed assets (gain expressed with "-")	2,288.50	
Loss from changes in fair value (gain expressed with "-")	-14,925,000.00	-15,684,000.00
Finance cost (gain expressed with "-")	-24,649,872.04	-20,520,148.14
Loss on investments (gain expressed with "-")	-667,386,373.71	-23,979,623.53
Decrease in deferred tax assets (increase expressed with "-")		
Increase in deferred tax liabilities (decrease expressed with "-")	-102,750.00	-428,500.00
Decrease in inventories (increase expressed with "-")		-6,544,609.84
Decrease in operating receivables (gain expressed with "-")	10,502,801.46	-15,664,405.65
Increase in operating payables (decrease expressed with "-")	-8,380,174.28	14,262,791.03
Others		
Net cash flows from operating activities	-4,827,061.49	-5,043,178.02
<b>2. Significant investing and financing activities not involving cash receipts or payments</b>		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
<b>3. Net changes in cash and cash equivalents</b>		
Cash balance at the end of the period	854,215,666.15	66,939,423.22
Less: Cash balance at the beginning of the period	66,939,423.22	342,958,485.77
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	787,276,242.93	-276,019,062.55

### 2. Net cash paid during the period for acquiring subsidiaries

None

### 3. Net cash received for the disposal of subsidiaries during the period

None

### 4. Cash and cash equivalents

Item	Current year	Last year
I. Cash	854,215,666.15	66,939,423.22
Including: Cash on hand		
Digital currency available for use on demand	854,215,666.15	66,939,423.22
Bank deposits available for use on demand		
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 period	854,215,666.15	66,939,423.22
Including: Restricted cash and cash equivalents used by the Company or intra-group subsidiaries		

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 31 December 2022

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

## XVII. 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 from disposal of non-current assets	-4,229,952.65	
Tax relief and reduction with approval exceeding authority/or without formal approval or of non-recurring nature	44,801.13	
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)	109,272,169.76	
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 from 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	-37,130,145.86	
Reversal of the provision for impairment of receivables which are tested individually for impairment		
Gains or losses from entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	5,805,565.18	
Other gain or loss items meeting the definition of non-recurring gains or losses	731,440,100.20	
<b>Sub-total</b>	<b>805,202,537.76</b>	
Effect of income tax	-16,410,872.58	
Effect of non-controlling interests (after tax)	-21,018,998.25	
<b>Total</b>	<b>767,772,666.93</b>	

Explanation on significant non-recurring gain or loss items: Among other gain or loss items that comply with the definition of non-recurring gain or loss, the non-recurring gain or loss amount recognized by the Group according to its shareholding ratio was RMB731,099,587.44 due to the recognition of gain or loss on compensation for land parcels by Guangzhou Shipyard International, an associate of the Company, during the year.

## NOTES TO THE FINANCIAL STATEMENTS

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

Items defined as recurring gains or losses:

Item	Amount	Reason
Grant for insurance maintained for first piece (set)	21,670,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Finance interest discount	5,300,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Value added tax of self produced software refund upon collection	53,982.30	Closely relating to operation, granted at fixed amount and on a continuous basis
<b>Total</b>	<b>27,023,982.30</b>	

Other explanations: 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	4.65	0.4870	0.4870
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	-0.54	-0.0562	-0.0562

## XVIII. APPROVAL OF FINANCIAL STATEMENTS

he financial statements was approved by the Board of the Company on 30 March 2023.

CSSC Offshore & Marine Engineering (Group) Company Limited  
(Stamp)  
30 March 2023



## 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	2022	2021	2020	2019	2018
Net profit	<b>710,058,981.98</b>	104,189,291.66	3,626,830,196.89	928,546,285.12	-247,415,0150.26
Including: Net profit attributable to shareholders of the Company	<b>688,391,027.99</b>	79,387,401.00	3,662,334,382.03	548,320,338.54	-1,869,014,160.08
Non-controlling interests	<b>21,667,953.99</b>	24,801,890.66	-35,504,185.14	380,225,946.58	-605,135,990.18
	<b>As at the end of 2022</b>	<b>As at the end of 2021</b>	<b>As at the end of 2020</b>	<b>As at the end of 2019</b>	<b>As at the end of 2018</b>
Total assets	<b>46,479,786,644.65</b>	44,265,408,872.54	38,937,517,272.52	52,304,069,154.98	47,475,344,086.37
Total liabilities	<b>27,729,082,780.77</b>	25,594,590,394.26	21,386,375,034.79	36,756,345,467.11	33,118,933,538.30
Net assets	<b>18,750,703,863.88</b>	18,670,818,478.28	17,551,142,237.73	15,547,723,687.87	14,356,410,548.07
Including: Net assets attributable to shareholders of the Company	<b>15,588,030,556.81</b>	15,524,746,801.15	14,432,091,546.69	10,148,256,838.77	9,727,437,689.21
Non-controlling interests	<b>3,162,673,307.07</b>	3,146,071,677.13	3,119,050,691.04	5,399,466,849.10	4,628,972,858.86