中船海洋与防务装备股份有限公司
CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

(a joint stock company with limited liability incorporated in the People's Republic of China)

(H-Shares Stock Code: 00317)

ANNOUNCEMENT ON CHANGE IN ACCOUNTING ESTIMATES

The change in accounting estimates is adopted with prospective accounting treatment, it is expected that the Group's net profit and shareholders' interests for the year of 2020 will be reduced by RMB26 million, the actual figure shall be subject to the audit by the annual accountants.

The change in accounting estimates will be implemented starting from 1 October 2020.

This announcement is made by CSSC Offshore & Marine Engineering (Group) Company Limited (the "Company") pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

I. OVERVIEW

On 29 December 2020, the Company convened the third meeting of the tenth session of the Board of Directors and the third meeting of the tenth session of the Supervisory Committee on 29 December 2020, the resolution on change in accounting estimates was considered and approved. It is agreed to change the accounting estimates on the provision for bad debts in accounts receivable and other receivables (hereinafter referred to as the "Receivables") of the Company and its subsidiaries (hereinafter referred as the "Group") starting from 1 October 2020. The change in accounting estimates is not required to be submitted to the general meeting of the Company for consideration.

II. PARTICULARS AND ITS IMPACT ON THE COMPANY

(I) Reasons for the change

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 28 – Accounting Policies, Changes in Accounting Estimates and Correction of Errors and in conjunction with the actual situation of the Group, change in accounting estimates on the provision for bad debts in the Receivables is made in order to conduct a more accurate measurement of the Receivables and reflect a more objective and fair view of the financial position and operating results of the Group.

(II) Accounting estimates adopted before the change

1. For the Receivables among entities in the scope of consolidated financial statements of the Group, the Group determines that no expected credit loss exists and no provision for bad debts will be made.

2. The Group separately carries out impairment test for the Receivables with an ageing of over 1 year and for other Receivables with indications of impairment since initial recognition, determines expected credit loss and makes provision for bad debts based on the present value of the differences between the carrying amount of the Receivables and the cash flows expected to be received for the Receivables.

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

(III) Accounting estimates adopted after the change

1. For accounts receivables from related parties, deposits and grants that are not overdue, reserve funds and employee borrowings, accounts receivables from government and public institutions, etc. that with no indication of impairment, the Group determines that no expected credit loss exists and no provision for bad debts will be made.

2. The Group separately carries out impairment test for the Receivables with indications of impairment and for other Receivables applicable for individual test, determines expected credit loss and makes provisions for bad debts based on the present value of the differences between the carrying amount of the Receivables and the cash flows expected to be received for the Receivables.

3. The Group determines the expected default loss ratios for the Receivables which have not

been tested individually for impairment based on the actual credit loss for previous years and considering forwarding information for the period (see below), and calculates the expected credit loss for the Receivables and makes provision for bad debts based on the expected default loss ratio.

Ageing	Accounts receivable Expected default loss ratio (%)	Other receivables Expected default loss ratio (%)
0 - 6 months (6 months inclusive)	0	0
6 months - 1 year (1 year inclusive)	0.5	0.5
1 - 2 years (2 years inclusive)	10	10
2 - 3 years (3 years inclusive)	30	30
3 - 5 years (5 years inclusive)	80	80
Over 5 years	100	100

(IV) Effective date of the change

Upon consideration and approval by the Board of Directors, the change will be implemented starting from 1 October 2020.

(V) The impacts of the change in accounting estimates on the Group

The change in accounting estimates is adopted with prospective accounting treatment, it is expected that the Group’s net profit and shareholders’ interests for the year of 2020 will be reduced by RMB26 million, the actual figure shall be subject to the audit by the annual accountants.

III. CONCLUSION OF INDEPENDENT DIRECTORS, SUPERVISORY COMMITTEE AND ACCOUNTING FIRM

1. Opinion of the independent directors

Independent directors considered that: The change in accounting estimates is in compliance with the relevant provisions of the Accounting Standards for Business Enterprises and is in line with the actual situation of the Group. The procedures in relation to its consideration and approval complied with requirements of relevant laws and regulations and the articles of association of the Company. The change in accounting estimates is adopted with prospective accounting treatment and will not have a significant impact on the Group’s net profit and shareholders’ interests for the year of 2020, and there is no impact on the financial reports disclosed by the Group. The change can enable the objective and fair reflection of the financial position and operating results of the Group and is in the interest of the Company and all shareholders without prejudice to the interests of the Company and minority shareholders.

2. Opinion of the Supervisory Committee

The Supervisory Committee considered that: The change in accounting estimates is a reasonable change conducted in accordance with the relevant provisions of the Accounting Standards for Business Enterprises and is in line with the relevant provisions of the PRC and the actual situation of the Company. The procedures in relation to its consideration and approval complied with requirements of relevant laws and regulations and the articles of association of the Company. Without prejudice to the interests of the Company and minority shareholders, the Supervisory Committee agreed to the implementation of the change in accounting estimates.

3. Opinion of the accounting firm

WUYIGE Certified Public Accountants LLP issued a special report on change in accounting estimates by CSSC Offshore & Marine Engineering (Group) Company Limited (Da Xin Bei Zi [2020] No. 1-00691) and considered that:

According to the audit procedures implemented and the relevant audit evidence obtained, we have not noticed anything that makes us believe that the special statement fails to meet the Guideline 93 in any material aspects.

By order of the Board
CSSC Offshore & Marine Engineering (Group) Company Limited
Li Zhidong
Company Secretary

Guangzhou, 29 December 2020

As at the date of this announcement, the Board comprises ten Directors, namely executive Directors Mr. Han Guangde, Mr. Chen Liping and Mr. Xiang Huiming, non-executive Directors Mr. Chen Zhongqian, Mr. Chen Ji and Mr. Gu Yuan and independent non-executive Directors Mr. Yu Shiyou, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian.