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

(H Shares Stock Code: 00317)

ANNOUNCEMENT REGARDING THE CHANGES IN ACCOUNTING POLICIES

The board (the “**Board**”) of directors (the “**Directors**”) of CSSC Offshore & Marine Engineering (Group) Company Limited (the “**Company**”) and all of its Directors guarantee that this announcement does not contain any false information, misleading statement or material omission, and accept responsibility for the authenticity, accuracy and completeness of the contents of this announcement.

HIGHLIGHTS:

- The changes in accounting policies were made pursuant to the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) (《企業會計準則解釋第16號》(財會[2022]31號) issued by the Ministry of Finance of the People's Republic of China (“**MOF**”), and are not required to be submitted for approval by the Board and the general meeting of the Company.
- The changes in accounting policies will not cause any material impact on the financial position, operating results and cash flow of the Company.

I. Overview of the changes in accounting policies

In November 2022, the MOF issued the Notice on Issuing Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) which stipulated that the regulation of the “Accounting for the non-applicability of the initial recognition exemption for deferred income tax relating to assets and liabilities arising from a single transaction” shall be implemented with effect from 1 January 2023. The Company will make relevant changes to the accounting policies pursuant to Interpretation No. 16 of Accounting Standards for Business Enterprises from the MOF and implement in accordance with the effective date provided in the interpretation.

The changes in accounting policies are made by the Company in compliance with the requirements of the national unified accounting system and are not required to be submitted for approval by the Board and the general meeting of the Company.

II. Details of changes in accounting policies

(I) Accounting policies prior to the changes

Prior to the changes in accounting policies, the Company followed the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards, the Application Guidance for Accounting Standards for Business Enterprises, the interpretation announcements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.

(II) Accounting policies after the changes

After the changes in accounting policies, the Company will implement the relevant requirements of Interpretation No. 16 of Accounting Standards for Business Enterprises issued by the MOF. The unchanged remaining parts will continue to follow the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards, the Application Guidance for Accounting Standards for Business Enterprises, the interpretation announcements of the Accounting Standards for Business Enterprises and other relevant regulations previously issued by the MOF.

Interpretation No. 16 of Accounting Standards for Business Enterprises provided for the “Accounting for the non-applicability of the initial recognition exemption for deferred income tax relating to assets and liabilities arising from a single transaction”. Pursuant to such regulation, if a transaction is not a business combination and affects neither the accounting profit nor taxable income (or deductible losses) at the time of the transaction, and such transaction is a single transaction (including lease transaction in which the lessee initially recognizes a lease liability and includes the right-of-use asset at the beginning of the lease term, and the transaction in which the lessee recognizes an estimated liability and includes the cost of the related asset due to the existence of abandonment obligations for fixed assets, etc.), the provisions of Articles 11(2) and 13 of the Accounting Standards for Business Enterprises No. 18 – Income Tax in relation to exemption from initial recognition of deferred income tax liabilities and deferred income tax assets do not apply to such single transactions. For the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities of the transactions, the enterprise shall respectively recognize the corresponding deferred income tax liabilities and deferred income tax assets upon the occurrence of the transactions in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 18 – Income Tax and other relevant regulations.

III. Impact of the changes in accounting policies on the Company

In accordance with the convergence provisions of the old and new standards, the Company adjusts the accumulative effect to opening retained earnings and other related financial statement items for the earliest period presented in the financial statements. The accumulative effect of this change in accounting policy on the Company at the end of year 2022 was: deferred income tax assets increased by RMB28,580,000, deferred income tax liabilities increased by RMB27,531,300, unappropriated profits increased by RMB572,100 and minority interests increased by RMB476,600, and the aforesaid figures are unaudited.

The changes in accounting policies are made by the Company in accordance with the relevant regulations and requirements of the MOF, which are in compliance with the relevant laws and regulations, and the implementation of the accounting policy after the changes can objectively and fairly reflect the Company's financial position and operating results. The changes in accounting policies will not have any material impact on the financial position, operating results and cash flow of the Company, nor cause any harm to the interests of the Company and the minority shareholders.

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

Guangzhou, 30 August 2023

As at the date of this announcement, the Board comprises ten Directors, namely executive Directors Mr. Chen Liping and Mr. Xiang Huiming, non-executive Directors Mr. Chen Ji, Mr. Gu Yuan, Mr. Ren Kaijiang and Mr. Yin Lu, and independent non-executive Directors Mr. Yu Shiyong, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian.