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**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 incorporated in the People's Republic of China with limited liability)*  
**(H Share Stock code: 00317)**

## **SUMMARY OF THE 2020 INTERIM REPORT**

### **§1 IMPORTANT NOTICES**

1.1 The financial information contained in this summary of the interim report (the “Report”) for the six months ended 30 June 2020 (the “Reporting Period”) of CSSC Offshore & Marine Engineering (Group) Company Limited (hereinafter referred to as “COMEC” or the “Company”, together with its subsidiaries, the “Group”) is prepared in accordance with the PRC Accounting Standards for Business Enterprises and Relevant Regulations (the “Accountant Standards and Regulations”), and the financial information contained in this summary has been reviewed and confirmed by the Audit Committee.

1.2 All Directors of the Company attended the 29th meeting of the ninth session of the Board held on 28 August 2020, of which Mr. Chen Zhongqian, an executive Director, appointed Mr. Chen Ji, an executive Director, to attend and vote at the meeting on his behalf; Mr. Sheng Jigang, an executive Director, appointed Mr. Xiang Huiming, an executive Director, to attend and vote at the meeting on his behalf; Mr. Shi Jun, a non-executive Director, appointed Mr. Han Guangde, an executive Director, to attend and vote at the meeting on his behalf. The 2020 interim report was unanimously approved at the meeting.

1.3 The 2020 interim financial report of the Company is unaudited.

1.4 The Report is a summary of the full text of the 2020 interim report. Investors are advised to carefully read the full text of such report for details.

1.5 The Report is made pursuant to Rule 13.49(6) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

1.6 The Report is prepared in both English and Chinese. In the event that different interpretations occur, the Chinese version shall prevail.

## §2 BASIC INFORMATION OF THE COMPANY

### 2.1 Key financial information and indicators

#### 2.1.1 Key accounting figures

*Unit: RMB Yuan*

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

#### 2.1.2 Key financial indicators

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

### 2.1.3 Extraordinary items and their amounts

Unit: RMB Yuan

Extraordinary items	Amount	Note (where applicable)
Gain or loss on disposal of non-current assets	-665,959.82	
Government grants included in current profit or loss, except for those closely relevant to normal business of the company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standard	28,832,150.29	
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 entrusted investments or assets under management	2,293,150.68	
Gain or loss on changes in fair value of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading and derivative financial liabilities, and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are closely related to the Company's normal operation	-41,730,221.33	
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment	20,000.00	
Other non-operating income and expenses apart from the aforesaid items	464,186.07	
Other gain or loss items meeting the definition of non-recurring gains or losses	3,389,119,929.67	Investment gains of RMB3.39 billion from the disposal of equity of GSI was recognised and included into non-recurring gain or loss
Effect of minority interests	12,236,269.74	
Effect of income tax	9,469,091.87	
<b>Total</b>	<b>3,401,798,603.04</b>	

### **§3 STAFF AND REMUNERATION POLICY**

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

### **§4 MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **4.1 Discussion and analysis of overall operation during the Reporting Period**

##### **(1) Development of the shipbuilding market in the first half of 2020**

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

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

##### **(2) Operation of the Group**

During the Reporting Period, the Group secured new shipbuilding orders with contract value of RMB2,219 million, representing a decrease of 74.70% compared with the corresponding period of last year; operating income of the Group prepared in accordance with the Accounting Standards for Business Enterprises amounted to RMB4,293 million, representing a decrease of 45.07% compared with the corresponding period of last year, which was mainly due to the completion of transfer of the controlling interest of Guangzhou Shipyard International Company Limited ("GSI") during the Reporting Period, the continued downturn in the shipbuilding market and the impact of the COVID-19 epidemic. Net profit attributable to the shareholders of the Company amounted to RMB3,103 million. Earnings per share were RMB2.1951, and earnings per share after deduction of non-recurring gains and losses were RMB-0.2115.

## 4.2 Main business analysis

### 4.2.1 Analysis of changes in relevant items in the financial statements

Unit: RMB Yuan

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

1. Reason for change in operating income: mainly due to the factors such as the completion of transfer of the controlling interest of GSI during the Reporting Period, the amount for the Period only consolidated the data of GSI from January to February, the persistent downturn in the shipbuilding market and the impact of the COVID-19 epidemic.

2. Reason for change in operating costs: mainly due to the completion of transfer of the controlling interest of GSI during the Reporting Period, the amount for the Period only consolidated the data of GSI from January to February, the persistent downturn in the shipbuilding market and the impact of the COVID-19 epidemic.

3. Reason for change in selling expenses: mainly due to the year-on-year decrease in compensation for the first set of insurance recognised during the Reporting Period.

4. Reason for change in administrative expenses: mainly due the completion of disposal of the equity of GSI and the amount for the Period only consolidated the data of GSI from January to February.

5. Reason for change in finance cost: mainly due to combined effects of the completion of disposal of the equity of GSI, the amount for the Period only consolidate the data of GSI from January to February and the changes in exchange rates of CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”) which led to the decrease in net exchange loss during the Reporting Period.

6. Reason for change in research and development expense: mainly due to the increase in research and development by Huangpu Wenchong during the Reporting Period.

7. Reason for change in net cash flow from operating activities: mainly due to the decrease in the rate of the progress of collection during the Reporting Period being lower than the progress of payment.

8. Reason for change in net cash flow from investing activities: mainly due to the completion of disposal of the equity of GSI, the cash balance at the end of the Period was reclassified to “Other cash payments relating to investing activities”.

9. Reason for change in net cash flow from financing activities: mainly due to the decrease in net amount in financing during the Reporting Period.

#### 4.2.2 Details of the composition of the Company’s profits or material changes of the sources of profits

*Unit: RMB Yuan*

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

## 4.2.3 Analysis of assets and liabilities

Unit: RMB Yuan

Name of project	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
Held-for-trading financial assets	4,180,994.91	0.01	47,015,330.33	0.10	-91.11	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Accounts receivable	1,297,442,024.44	3.48	3,514,084,587.92	7.39	-63.08	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Prepayments	1,731,478,929.23	4.65	3,632,961,295.56	7.64	-52.34	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other receivables	140,567,310.86	0.38	993,612,135.28	2.09	-85.85	The completion of the disposal of equity of GSI during the Reporting Period, GSI was excluded from the amount at the end of current period, and the receipt of relocation compensation by Wenchong Dockyard, a subsidiary, during the Reporting Period.
Inventories	3,542,248,384.76	9.51	5,531,246,793.46	11.63	-35.96	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Contract assets	5,060,551,287.22	13.59	7,516,302,519.33	15.80	-32.67	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Assets held for sale	641,647,147.54	1.72	-	-	Not applicable	At the end of the Reporting Period, the equity delivery procedures of the transfer in equity of of CSSC Chengxi Yangzhou Shipbuilding Company Limited ("Chengxi Yangzhou") had not been completed, and the relevant long-term equity investment was classified into held for sales
Non-current assets due within one year	-	-	400,000,000.00	0.84	-100.00	At the end of the Reporting Period, the balance of long-term entrusted wealth management products due within one year was zero.
Other current assets	1,248,798,646.48	3.35	243,646,496.83	0.51	412.55	At the end of the Reporting Period, the balance of entrusted wealth increased for RMB720 million, and the balance of VAT tax retaining/credit increased for 178 million.
Long-term equity investments	4,820,918,817.28	12.95	740,036,766.87	1.56	551.44	The completion of the disposal of equity of GSI during the Reporting Period, and the remaining equity are measured at fair value and accounted for using the equity method, as well as the equity of CSSC Chengxi Yangzhou was classified into held for sales at the end of the Reporting Period.
Investments in other equity instruments	3,829,873,557.03	10.28	71,478,588.58	0.15	5,258.07	The completion of the disposal of equity of GSI during the Reporting Period, and the counterparty uses the issuance of shares as the transaction consideration and hence the increase in the investments in equity instruments.
Investment properties	-	-	21,308,295.44	0.04	-100.00	The completion of the disposal of equity of GSI during the Reporting Period, and the balance of investment properties at the end of the Reporting Period was zero.
Fixed assets	3,870,855,033.74	10.39	11,662,555,258.81	24.52	-66.81	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Intangible assets	758,839,573.32	2.04	2,053,979,115.18	4.32	-63.06	The completion of the disposal of equity of GSI during the Reporting Period, and GSI is excluded from the amount at the end of current year.
Goodwill	-	-	144,231,195.67	0.30	-100.00	The completion of the disposal of equity of GSI during the Reporting Period, and the balance of goodwill at the end of the Reporting Period was zero.
Long-term prepaid expenses	5,905,421.04	0.02	83,338,711.86	0.18	-92.91	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other non-current assets	77,982,795.52	0.21	26,470,552.78	0.06	194.60	At the end of the Reporting Period, the balance of non-current prepayment increased.
Short-term borrowings	2,460,355,881.93	6.61	7,524,383,875.11	15.82	-67.30	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Financial liabilities held-for-trading	109,244,763.92	0.29	202,774,080.82	0.43	-46.12	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.

Notes payable	941,011,081.06	2.53	1,850,172,981.45	3.89	-49.14	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Accounts payable	4,569,667,423.85	12.27	8,263,699,493.42	17.38	-44.70	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Advances from customers	491,554,218.00	1.32	-	-	Not applicable	At the end of the Reporting Period, the balance of equity transfer funds received in advance from Chengxi Yangzhou was RMB492 million.
Taxes payable	15,951,559.69	0.04	75,307,785.25	0.16	-78.82	The completion of the disposal of equity of GSI during the Reporting Period, GSI was excluded from the amount at the end of current period, and the balance of income tax payables at the end of the Reporting Period decreased.
Other payables	156,910,922.99	0.42	284,772,011.61	0.60	-44.90	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Non-current liabilities due within one year	2,218,603,513.24	5.96	1,489,900,000.00	3.13	48.91	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other current liabilities	162,588,988.49	0.44	233,992,036.02	0.49	-30.52	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Long-term borrowings	3,053,544,337.74	8.20	4,721,457,000.00	9.93	-35.33	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Estimated liabilities	249,931,921.53	0.67	685,301,841.13	1.44	-63.53	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Deferred income	156,713,952.31	0.42	73,859,885.16	0.16	112.18	At the end of the Reporting Period, the balance of government subsidies used to compensate related costs or losses in subsequent periods increased.
Deferred tax liabilities	241,531,191.44	0.65	6,949,522.36	0.01	3,375.51	During the Reporting Period, changes in fair value of investment in other equity instruments were recognised an increase in deferred tax liabilities.
Other comprehensive income	662,264,282.21	1.78	-38,046,780.32	-0.08	Not applicable	During the Reporting Period, the net after-tax changes in fair value of investment in other equity instruments increased.
Special reserve	-	-	1,224,467.93	0.00	-100.00	At the end of the Reporting Period, the balance of the provision on work safety fees was zero.
Undistributed profit	1,494,085,803.63	4.01	-1,762,952,145.45	-3.71	Not applicable	At the end of the Reporting Period, the net gains or losses increased.
Minority interests	3,330,014,685.33	8.94	5,017,606,971.93	10.55	-33.63	The completion of the disposal of equity of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current year.



#### 4.2.4 Principal businesses by product and by region

Unit: RMB Yuan

Principal businesses by product				
Product name	Current period		Corresponding period of last year	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Ship products	3,077,585,661.50	2,994,497,444.65	6,396,382,932.72	6,408,256,088.84
Offshore engineering products	105,645,690.20	114,357,275.36	320,174,444.06	308,775,195.75
Steel structure	605,871,872.62	566,416,293.66	357,375,955.95	336,439,069.43
Ship maintenance and renovation	250,019,839.88	190,538,170.88	350,573,955.00	283,999,906.72
Electromechanical products and others	174,230,482.46	138,060,864.73	353,730,044.91	274,739,504.22
Total	4,213,353,546.66	4,003,870,049.28	7,778,237,332.64	7,612,209,764.96
Principal businesses by region				
Region	Current period		Corresponding period of last year	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
China (including Hong Kong, Macau and Taiwan)	3,139,489,487.26	2,874,921,896.24	4,288,158,574.46	3,927,968,512.95
Other regions in Asia	267,951,335.87	308,846,613.87	465,016,224.86	482,841,130.20
Europe	367,886,390.41	401,631,502.32	1,453,931,398.50	1,565,932,402.43
Oceania	251,106,911.37	244,018,968.67	452,946,939.48	457,191,994.41
North America	75,098,988.95	54,197,998.96	185,390,271.74	209,953,701.35
Africa	111,820,432.80	120,253,069.22	905,706,498.41	927,314,539.90
South America	-	-	27,087,425.19	41,007,483.72
Total	4,213,353,546.66	4,003,870,049.28	7,778,237,332.64	7,612,209,764.96

### **4.3 Analysis of investment status**

#### **4.3.1 Information on equity investments**

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

#### **4.4 Non-raised funds investment projects**

During the Reporting Period, the Company had no investment projects for raised funds.

## **§5 SIGNIFICANT EVENTS**

### **5.1 Assets transactions and merger of enterprises**

#### **5.1.1 Equity sale**

The Company considered and approved the resolutions in relation to the significant asset disposal and connected transaction at the 13th meeting of the ninth session of the board of directors (the “Board”) held on 4 April 2019, the 16th meeting of the ninth session of the Board held on 7 August 2019, the 19th meeting of the ninth session of the Board held on 16 September 2019 and the first extraordinary general meeting of 2019 held on 23 October 2019, which approved the matters relating to the disposal of 27.4214% of the equity interests in GSI to China CSSC Holdings Limited (“CSSC Holdings”) where CSSC Holdings shall pay the transfer consideration by way of non-public issuance of its A shares to the Company, the Company shall at the same time waive its right of first refusal to acquire 23.5786% of the equity in GSI and 30.9836% of the equity in Huangpu Wenchong held by market-oriented debt-to-equity swap investors. As at 31 March 2020, the implementation of the significant asset disposal and connected transaction of the Company was completed when the Company has transferred its 27.4214% equity interests in GSI which were registered under the name of CSSC Holdings. The Company only holds a 46.3018% equity interest in GSI and its accounts were not under consolidation. CSSC Holdings has issued 217,494,916 shares of CSSC Holdings to the Company to settle the transfer consideration of the above disposal of 27.4214% equity interests in GSI.

For details, please refer to announcements dated 4 April 2019, 9 May 2019, 7 August 2019, 16 September 2019, 24 March 2020 and 30 March 2020 published by the Company on the website of the Shanghai Stock Exchange ([www.see.com.cn](http://www.see.com.cn)), the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) regarding the Proposed Connected Transactions in relation to Major Assets Swap, the Proposed Connected Transaction in relation to Major Assets Swap (Revised Version), Report on Major Assets Disposal and Connected Transactions (Draft), Revised Report on Major Assets Disposal and Connected Transactions (Draft), Announcement on Completion of Assets Transfer in relation to Major Assets Disposal and Connected

Transactions, and Announcement on Completion of Implementation of Major Assets Disposal and Connected Transactions.

2. The Company considered and approved the resolution in relation to the transfer of the 49% equity interest in CSSC Chengxi Yangzhou Shipbuilding Company Limited and connected transactions at the 25th meeting of the ninth session of the Board held on 3 March 2020 and the second extraordinary general meeting of 2020 held on 24 April 2020, whereby the Company shall transfer the 49% equity interest held in Chengxi Yangzhou to CSSC Holdings and CSSC Chengxi Shipbuilding Co., Ltd. (“CSSC Chengxi”) by way of agreement at the total transaction price of RMB963,831,800, of which, CSSC Holdings and CSSC Chengxi will acquire 24% and 25% equity interest of Chengxi Yangzhou, respectively, at the transaction price of RMB472,080,900 and RMB491,750,900, respectively.

For details, please refer to announcements dated 9 March 2020, including the announcement in relation to the transfer of the 49% equity interest in CSSC Chengxi Yangzhou Shipbuilding Company Limited by COMEC and connected transactions published by the Company on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)). Pursuant to the above equity transfer agreement, CSSC Holdings and CSSC Chengxi had paid 51% of the total transaction consideration of the property right on 30 June 2020, and shall settle the remaining 49% of the total transaction price before 31 December 2020.

## **5.2 Profit distribution and cash dividend policy**

### **5.2.1 Implementation of profit distribution proposal during the Reporting Period**

As considered and passed at the annual general meeting of 2019 held on 12 June 2020, the proposal for profit distribution of the Company for 2019 was as follows: pursuant to requirements of the Articles of Association of CSSC Offshore & Marine Engineering (Group) Company Limited, in distributing cash dividends, the Company’s asset-liability ratio shall not exceed 70%; and the aggregate of the undistributed profit in the consolidated statements shall be positive. The asset-liability ratio of the Company was 70.27% as at 31 December 2019. In addition, undistributed profits in the financial statements of the Company for end of 2019 amounted to RMB721,076,162.84 and undistributed profits in the consolidated financial statements amounted to RMB-1,605,393,084.53. Accordingly, the Company did not declare any dividends for 2019. Meanwhile, the Company also would not convert capital reserve into share capital.

### **5.2.2 Profit distribution during the Reporting Period**

The Company will not make profit distribution or convert any capital reserve into share capital for the first half of 2020.

### 5.3 Material litigations, arbitrations and matters commonly concerned by media

During the Reporting Period, the Company had no material litigations, arbitrations and matters commonly concerned by media.

### 5.4 Entrustment, contracting and leasing matters

#### 5.4.1 Leasing

*Unit: RMB*

Name of lessor	Name of lessee	Assets leased	Amount of assets leased	Date of commencement of lease	Date on which the lease will be terminated	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether related transaction	Relationship
Guangzhou Ship Industrial Company Limited	Huangpu Wenchong	Land, buildings and structures	-	2014.5.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Wenchong Properties 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

Description of leases:

Guangzhou Ship Industrial Co., Ltd. (“Guangzhou Company”) and Huangpu Wenchong entered into a lease agreement in relation to land use right, pursuant to which Guangzhou Company shall lease part of the land use right owned by it in relation to the land at the Changzhou Plant to Huangpu Wenchong for its operational use. The rent for the land use right shall be determined based on the principle of asset depreciation, amortisation and taxes. The rent shall be paid annually by cash payment. The term for the aforesaid lease of land use right commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong is completed and production commences at the new plant.

Guangzhou Wenchong Properties Co., Ltd. and Guangzhou Wenchong Shipyard Co. Ltd. (hereinafter referred to as “Wenchong Shipyard”) entered into a lease agreement in relation to land use right, and leased part of the land use rights of the area at Wenchong Plant owned by it to Wenchong Shipyard for operation. The rent for the land use right shall be determined based on the principle of asset depreciation, amortisation and taxes. The rent shall be paid on annually by cash payment. The term for the aforesaid lease of land use right commenced on 1 November 2018 and will end on the date on which the relocation of Wenchong Shipyard is completed and production commences at the new plant.

## 5.4.2 Guarantee

Unit: RMB Yuan

External guarantees by the Company (excluding guarantees for its subsidiaries)													
Guarantor	Relationship between guarantor and the Company	Guarantee d entity	Amount of guarantee	Date of guarantee (date of signing of agreement)	Date of commencement of Guarantees	Date of expiry of Guarantees	Type of guarantee	Whether fully executed	Whether guarantee is overdue	Overdue amount	Existence of reverse guarantee	Whether provided for by related party	Whether provided for by related party
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantees during the Reporting Period (excluding guarantees provided for its subsidiaries)										0			
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)										0			
Guarantees provided by the Company for its subsidiaries													
Total amount of guarantees provided for its subsidiaries during the Reporting Period										1,107,981,052.50			
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period (B)										702,514,262.75			
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)													
Total amount of guarantees (A+B)										702,514,262.75			
Total amount of guarantees as a percentage of the Company's net assets (%)										4.20			
Including:													
Amount of guarantees provided for shareholders, actual controllers and related parties (C)										-			
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)										702,514,262.75			
Total amount of guarantees in excess of 50% of net assets (E)										-			
Sum of the above three guarantees (C+D+E)										702,514,262.75			
Description of outstanding guarantees which may incur several and joint liability										Not applicable			
Description of outstanding guarantees which may incur several and joint liability										During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB703 million, all of which are guarantees provided by Huangpu Wenchong, a subsidiary controlled by the Company, to its wholly-owned subsidiaries. The guarantee items are comprehensive credit guarantee and working capital loan guarantee, etc. The cap limit set out in the framework for the guarantees as approved at the general meeting has not been exceeded.			

## 5.5 Environmental information

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

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

#### 5.5.1.1 Information on pollution discharge

##### 1. Huangpu Wenchong

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

##### (1) Waste gas

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

## (2) Waste water

The waste water generated by Huangpu Wenchong includes production waste water and domestic waste water. The production waste water represents mainly the oily waste water generated in the mooring experiments of ship wharves, workshop industrial waste water, and cabin-cleaning oily waste water. The domestic waste water is from the sewage generated at the production area and the office area. The cabin-cleaning oily waste water following disposal at the oily water disposal station, together with domestic sewage and other industrial waste water, is discharged into municipal sewage pipelines. The water pollutant emission concentration of which has met the level III, period II standard set out in the Emission Limits of Water Pollutants (DB44/26-2001). During the Reporting Period, Huangpu Wenchong discharged 62,240 tonnes of industrial waste water, and met the emission standard.

## (3) Solid waste (including hazardous waste)

Solid waste produced by Huangpu Wenchong is mainly divided into general industrial solid waste, hazardous waste and domestic waste, and it strengthens the daily management of such waste, especially hazardous waste, in accordance with the laws and regulations such as the Administrative Measures for the Management of Solid Waste of the People's Republic of China and the Regulations on the Management of Solid Waste of Guangdong Province.

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

## (4) Noise

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

## 2. Wenchong Shipyard

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

#### (1) Waste gas

The waste gas generated by Wenchong Shipyard mainly represents organic waste gas and dust. It has five sets of organic waste gas purification treatment devices and seven filter dust removers to ensure that the emission concentration of the air pollutant emitted meets the level II, period II standard set out in the Emission Limits of Air Pollutants of Guangdong Province (DB44/27-2001). During the Reporting Period, all of the waste gas emissions generated by Wenchong Shipyard met the standard.

#### (2) Waste water

The waste water generated by Wenchong Shipyard includes production waste water and domestic sewage. The production waste water represents mainly the oily waste water generated in the mooring experiments of ship wharves and the pipeline oil intermingling process. The domestic sewage is from the sewage generated at the production area and the office area. The emission concentration of its water pollutants met the level B limit set out in the table 1 in the Wastewater Quality Standards for Discharge to Municipal Sewers (CJ343-2010). During the Reporting Period, Wenchong Shipyard discharged a total of 137,048 tonnes of waste water.

#### (3) Solid waste (including hazardous waste)

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

#### (4) Noise

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

### 3. Huangchuan Ocean Engineering

The main pollutants discharged in the production process of Huangchuan Ocean Engineering are waste water, waste gas, solid waste and noise.

#### (1) Waste gas

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

## (2) Waste water

The waste water generated by Huangchuan Ocean Engineering includes production waste water and domestic sewage. The production waste water represents mainly the oily waste water generated in the mooring experiments of ship wharves and the pipeline oil intermingling process. The domestic sewage is from the sewage generated at the production area and the office area. During the Reporting Period, Huangchuan Ocean Engineering discharged a total of 125,248 tonnes of waste water, the water pollutant emission concentration of which has met the level I, period II standard set out in the Emission Limits of Air Pollutants of Guangdong Province, and there did not exist any situation that exceeded the standard.

## (3) Solid waste (including hazardous waste)

The solid waste generated by Huangchuan Ocean Engineering include mainly three types, namely recyclable solid waste, non-recyclable solid waste and hazardous waste. Huangchuan Ocean Engineering collects and separates the solid waste generated. Recyclable solid waste such as waste metal is utilised by waste material recycling companies. Qualified entities are appointed to treat non-recyclable solid waste and hazardous waste. During the Reporting Period, Huangchuan Ocean Engineering disposed of 2,038 tonnes of non-recyclable solid waste and 218 tonnes of hazardous waste.

## (4) Noise

The noise generated by Huangchuan Ocean Engineering is mainly production noise. It conducts noise emission detection at boundary on a regular basis to ensure that the noise at boundary meets the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary. There did not exist any situation that exceeded the standard.

### **5.5.1.2 Construction and operation of pollution prevention facilities**

#### 1. Huangpu Wenchong

Huangpu Wenchong has established 5 sets of cyclone + filter cartridge dust collectors for the 2-metre and 3-metre steel plate pretreatment lines and painting rooms which generate dust, 3 sets of activated carbon adsorption + catalytic combustion purification treatment devices for the 2-metre and 3-metre steel plate pretreatment lines and painting rooms which generate organic waste gas, and a domestic sewage treatment station and an oily wastewater treatment station for the waste water generated. Waste water from the canteen in the plant area is treated through the grease trap and residue interceptor before discharge. All industrial and domestic sewage is collected through pipelines and discharged into municipal sewage pipelines. For production noise, it mainly reduces the impacts of production noise through equipment selection, building enclosure, establishing sound insulation covers, installing damping pads and mufflers.

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

#### 2. Wenchong Shipyard

Existing facilities of Wenchong Shipyard against environmental pollution: 9 sets of organic waste gas purification device (1 in the pretreatment workshop, and 2 in each of the painting and assembly workshop A, D, E, and F), 7 sets of dust removal device (1 in the pretreatment workshop, and 3 in each of workshop B and C), 6 sets of welding dust purification device (all installed in the pipe processing



workshop). All units using these anti-pollution devices have kept regular maintenance of the devices with detailed operation record. 1 set of online VOC (Volatile Organic Compound) monitoring equipment (provided by the Environmental Protection Bureau of Huangpu District) was installed in painting workshop A and connected to the automatic pollutant monitoring system in Guangzhou City to perform real-time monitoring of VOC emission. During the Reporting Period, Wenchong Shipyard had completed installation, debugging and self-inspection of 1 set waste oil water treatment device, and is applying for an environmental protection record.

### 3. Huangchuan Ocean Engineering

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

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

##### 1. Huangpu Wenchong

In 2019, Huangpu Wenchong established a storage and transportation station for general industrial solid waste, carried out environmental quality survey reports in accordance with the laws and regulations of the People's Republic of China Environmental Impact Assessment Law and the Regulations on the Administration of Construction Project Environmental Protection, and filed with the District Eco-Environment Bureau. With the pollution discharge permit and the drainage permit, Huangpu Wenchong could achieve stable discharge of pollutants and control the total discharge in the daily production and operation.

##### 2. Wenchong Shipyard

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

### 3. Huangchuan Ocean Engineering

The acceptance approvals for the offshore engineering Phase I, offshore engineering production capacity expansion and offshore engineering supplementary projects of Huangchuan Ocean Engineering, all of which were completed, had been obtained. The pollutant discharge permit had been obtained in 2014. A reply from Nansha Environmental Protection and Water Affairs Bureau to the environment impact assessment of the Longxue Gas Cylinder Transfer Station (Sui Nan Qu Huan Shui Guan Ying (2017) No. 93) was obtained, and the inspection and acceptance was completed in April 2019. A reply to the investment project was obtained from Nansha Environmental Protection Bureau (Sui Nan Kai Huan Guan Ying [2014] No. 190) in 2014, and the project is currently under construction. Huangchuan Ocean Engineering has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

#### **5.5.1.4 Emergency plans for sudden environmental events**

##### 1. Huangpu Wenchong

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

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

##### 2. Wenchong Shipyard

Wenchong Shipyard started the second round of environmental emergency plan and risk assessment in October 2018, which involved on-site investigation, data collection, plan and report preparation, expert review, on-site rectification and other stages, and successfully completed the filing with the Huangpu District Environmental Protection Bureau in January 2019, and valid until January 2022. The results of this work are mainly presented as the Emergency Plan for Sudden Environmental Events, the Risk Assessment Report for Sudden Environmental Events and the Emergency Resources Investigation Report. During the Reporting Period, Wenchong Shipyard had completed two environment emergency drills, including disposal drills of hazardous chemical leakage and hazardous waste leakage.

##### 3. Huangchuan Ocean Engineering

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

### **5.5.1.5 Emergency plans for sudden environmental events**

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

## **5.6 Notes on other significant events**

### **5.6.1 Details of charges on the assets of the Group**

As at 30 June 2020, the Company had a total of bank deposits amounting to RMB3,311 million pledged to secure long- and short-term borrowings, letters of guarantee, letters of credit, projects or as deposit for bank drafts. Save as disclosed above, no other assets of the Company were pledged.

### **5.6.2 Gearing ratio**

As at 30 June 2020, the Group's gearing ratio (total liabilities/total assets x 100%) was 55.06% (as at the beginning of the Reporting Period: 70.27%), representing a decrease of 15.21% which mainly due to the completion of the disposal of equity of GSI.

### **5.6.3 Repurchase, disposal or redemption of securities of the Company**

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

## **§6 CORPORATE GOVERNANCE REPORT**

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

## **6.1 Corporate Governance**

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

## **6.2 Securities Transactions by Directors**

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

### **6.3 Meetings of the Board**

To date a total of four meetings (including three meetings held in writing) were held by the Board. All Directors attended these meetings (including attendance by proxy). In addition, the Audit Committee held four meetings to consider issues including the annual report of the Company for the year 2019, the report on the internal control review, the first quarterly report for the year 2020, etc.; the Emolument and Examination Committee held one meeting to consider the resolutions on the remuneration of the Directors, Supervisors and senior management of the Company for the year 2019. To date, the general meeting of the Company, the Board and the management performed their specific responsibilities and regulated corporate operation to ensure the true, accurate, complete, timely and fair disclosure of corporate information. Specialized committees of the Board carried out works in accordance with their respective duties, and independent non-executive Directors played an important role in the work of the Board.

**§7 FINANCIAL STATEMENTS PREPARED ACCORDING TO ACCOUNTING STANDARDS OF THE PRC**

(Amounts denominated in Renminbi unless otherwise specified)

**Consolidated Balance Sheet**

30 June 2020

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

Unit: Yuan Currency: RMB

Item	30 June 2020	31 December 2019
<b>Current assets:</b>		
Cash at bank and on hand	6,636,224,686.49	14,317,366,099.93
Settlement reserve		
Placements with banks and non-bank financial institutions		
Financial assets held-for-trading	4,180,994.91	48,785,784.80
Derivative financial assets		
Notes receivable	102,808,726.99	633,564,863.60
Accounts receivable	1,297,442,024.44	2,350,380,440.10
Receivable financing		
Prepayments	1,731,478,929.23	2,339,261,199.21
Insurance premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Other receivables	140,567,310.86	1,822,048,699.16
Including: Interest receivable		8,794,796.77
Dividends receivable		
Financial assets purchased under agreements to resell		
Inventories	3,542,248,384.76	4,344,806,992.50
Contract assets	5,060,551,287.22	6,336,385,363.12
Assets held for sale	641,647,147.54	
Non-current assets due within one year		692,000,000.00
Other current assets	1,248,798,646.48	350,850,895.77
Total current assets	20,405,948,138.92	33,235,450,338.19
<b>Non-current assets:</b>		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables	2,155,578,593.14	2,703,137,274.56
Long-term equity investments	4,820,918,817.28	753,695,038.72
Investments in other equity instruments	3,829,873,557.03	71,248,734.49
Other non-current financial assets		
Investment properties		20,993,939.36
Fixed assets	3,870,855,033.74	11,439,928,689.69
Construction in progress	825,364,482.41	1,181,944,326.01
Productive biological assets		
Oil and gas assets		
Right-of-use asset	128,832,980.66	149,351,363.01
Intangible assets	758,839,573.32	2,072,573,536.99
Development expenses		

Goodwill		144,231,195.67
Long-term prepaid expenses	5,905,421.04	75,592,524.66
Deferred income tax assets	358,726,380.25	377,902,704.29
Other non-current assets	77,982,795.52	78,019,489.34
Total non-current assets	16,832,877,634.39	19,068,618,816.79
Total assets	37,238,825,773.31	52,304,069,154.98
<b>Current liabilities:</b>		
Short-term borrowings	2,460,355,881.93	6,147,082,148.56
Loans from central bank		
Placements from banks and other financial institutions		
Financial liabilities held-for-trading	109,244,763.92	221,737,672.75
Derivative financial liabilities		
Notes payable	941,011,081.06	3,063,415,001.67
Accounts payable	4,569,667,423.85	8,687,397,898.75
Advances from customers	491,554,218.00	
Securities sold under agreements to repurchase	5,231,569,245.78	8,488,146,386.62
Deposits from customers and other banks		
Brokerage for securities trading		
Brokerage for underwriting securities		
Employee benefits payable		
Taxes payable	65,651,104.58	40,446,901.64
Other payables	15,951,559.69	72,234,563.79
Including: Interest payable	156,910,922.99	344,881,770.61
Dividends payable		35,332,096.80
Fee and commission payable	304,042.49	394,042.49
Reinsured accounts payable		
Contract liabilities		
Liabilities held for sale		
Non-current liabilities due within one year	2,218,603,513.24	2,281,928,067.24
Other current liabilities	162,588,988.49	63,237,341.88
Total current liabilities	16,423,108,703.53	29,410,507,753.51
<b>Non-current liabilities:</b>		
Reserves for insurance contracts		
Long-term borrowings	3,053,544,337.74	6,049,757,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	108,935,162.63	110,198,081.27
Long-term payables	99,370,000.00	101,816,823.07
Long-term employee benefits payable	172,091,358.27	229,389,012.33
Estimated liabilities	249,931,921.53	694,854,560.21
Deferred income	156,713,952.31	150,307,309.25
Deferred tax liabilities	241,531,191.44	9,514,927.47
Other non-current liabilities		
Total non-current liabilities	4,082,117,923.92	7,345,837,713.60
Total liabilities	20,505,226,627.45	36,756,345,467.11
Owners' equity (or shareholders' interests):		
Paid-in capital (or share capital)	1,413,506,378.00	1,413,506,378.00
Other equity instruments		

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

Legal representative: Han Guangde    Person in charge of accounting: Hou Zengquan    Head  
of accounting department: Xie Weihong



## Balance Sheet of the Parent Company

30 June 2020

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

Unit: Yuan Currency: RMB

Item	30 June 2020	31 December 2019
<b>Current assets:</b>		
Cash at bank and on hand	755,607,790.97	113,638,189.16
Financial assets held-for-trading		
Derivative financial assets		
Notes receivable		
Accounts receivable	62,639,063.47	40,084,782.69
Receivable financing		
Prepayments	2,831,781.00	6,585,840.89
Other receivables	7,758,544.68	8,852,312.88
Including: Interest receivable		199,136.97
Dividends receivable		
Inventories		78,044,136.16
Contract assets		
Assets held for sale	641,125,874.53	
Non-current assets due within one year	50,055,555.56	270,000,000.00
Other current assets	113,723,304.22	244,609,360.00
Total current assets	1,633,741,914.43	761,814,621.78
<b>Non-current assets:</b>		
Debt investments		
Other debt investments		
Long-term receivables		600,000,000.00
Long-term equity investments	6,230,487,384.55	8,481,278,673.82
Investments in other equity instruments	3,793,111,335.04	
Other non-current financial assets		
Investment properties		
Fixed assets	433,933,456.93	447,436,065.79
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use asset	1,441,137.97	1,896,234.13
Intangible assets	10,093,558.63	10,161,107.29
Development expenses		
Goodwill		
Long-term prepaid expenses	547,889.19	720,906.87
Deferred income tax assets	20,000,000.00	20,000,000.00
Other non-current assets	802,955,684.99	436,902,001.36
Total non-current assets	11,292,570,447.30	9,998,394,989.26
Total assets	12,926,312,361.73	10,760,209,611.04
<b>Current liabilities:</b>		
Short-term borrowings		200,000,000.00

Financial liabilities held-for-trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	168,433,940.03	179,911,996.18
Advances from customers	491,554,218.00	
Contract liabilities	10,304,181.00	59,818,924.73
Employee benefits payable		
Taxes payable	473,165.21	2,802,092.60
Other payables	12,062,976.68	53,596,763.60
Including: Interest payable		565,277.78
Dividends payable	304,042.49	304,042.49
Liabilities held for sale		
Non-current liabilities due within one year	953,276.09	200,898,274.92
Other current liabilities		30,817.60
Total current liabilities	683,781,757.01	697,058,869.63
<b>Non-current liabilities:</b>		
Long-term borrowings	600,339,166.66	600,000,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	599,144.66	1,096,162.49
Long-term payables	99,370,000.00	99,370,000.00
Long-term employee benefits payable		
Estimated liabilities		
Deferred income		
Deferred tax liabilities	233,807,033.76	
Other non-current liabilities		
Total non-current liabilities	934,115,345.08	700,466,162.49
Total liabilities	1,617,897,102.09	1,397,525,032.12
Owners' equity (or shareholders' interests):		
Paid-in capital (or share capital)	1,413,506,378.00	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	8,335,927,762.50	8,335,892,000.49
Less: Treasury shares		
Other comprehensive income	699,215,832.19	-1,891,574.80
Special reserve		
Surplus reserve	472,681,889.15	472,681,889.15
Undistributed profit	387,083,397.80	-857,504,113.92
Total owners' equity (or shareholders' interests)	11,308,415,259.64	9,362,684,578.92
Total liabilities and owners' equity (or shareholders' interests)	12,926,312,361.73	10,760,209,611.04

Legal representative: Han Guangde    Person in charge of accounting: Hou Zengquan    Head of accounting department: Xie Weihong

## Consolidated Income Statement

From January to June 2020

Unit: Yuan Currency: RMB

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

1. Net profit attributable to shareholders of the Parent Company (net loss expressed with “-”)	3,102,837,570.74	390,750,329.92
2. Gain or loss attributable to minority interests (net loss expressed with “-”)	-159,075,992.17	218,874,532.94
VI. Net after tax for other comprehensive income	700,169,972.07	10,401,824.34
Net after tax for other comprehensive income attributable to owners of the Parent Company	700,600,516.93	7,568,646.25
(1) Other comprehensive income that may not be reclassified to profit or loss	700,163,899.21	7,520,933.58
1. Change in re-measurement of defined benefit plans		
2. Other comprehensive income that may not be reclassified to profit or loss under equity method	-95,851.03	
3. Change in fair value of investments in other equity instruments	700,259,750.24	7,520,933.58
4. Change in fair value of own credit risk		
(2) Other comprehensive income that may be reclassified to profit or loss	436,617.72	47,712.67
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Change in fair value of other debt investments		
3. Amount included in other comprehensive income on reclassification of financial assets		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedges reserve (effective portion of gain or loss on cash flow hedges)		
6. Exchange differences arising from translation of foreign currency financial statements	436,617.72	47,712.67
7. Others		
Net other comprehensive income after tax attributable to minority interests	-430,544.86	2,833,178.09
VII. Total comprehensive income	3,643,931,550.64	620,026,687.20
Total comprehensive income attributable to owners of the Parent Company	3,803,438,087.67	398,318,976.17
Total comprehensive income attributable to minority interests	-159,506,537.03	221,707,711.03
VIII. Earnings per share:		
(1) Basic earnings per share (RMB/share)	2.1951	0.2764
(2) Diluted earnings per share (RMB/share)	2.1951	0.2764

Legal representative: Han Guangde      Person in charge of accounting: Hou Zengquan      Head of accounting department: Xie Weihong

## Income statement of the Parent Company

From January to June 2020

Unit: Yuan Currency: RMB

Item	1st half of 2020	1st half of 2019
I. Operating income	98,222,601.70	91,961,389.81
Less: Operating costs	94,680,914.39	89,042,949.57
Taxes and surcharges	4,213,994.53	1,396,458.92
Selling expenses	279,731.32	1,245,236.98
Administrative expenses	9,480,805.67	10,051,417.16
Research and development expense		
Finance cost	-9,397,824.95	-13,932,102.59
Including: Interest expenses	8,184,717.45	14,208,124.99
Interest income	17,593,464.38	28,187,838.37
Add: Other income	14,346.29	
Investment income (loss expressed with “-”)	1,248,495,717.54	-1,479,212.18
Including: Investment income in associates and joint ventures	-98,741,026.22	-1,479,212.18
Derecognition income of financial assets measured at amortised cost (loss expressed with “-”)		
Net gain on exposure hedging (loss expressed with “-”)		
Gain on change in fair value (loss expressed with “-”)		
Loss on impairment of credit (loss expressed with “-”)	-346,461.07	67,779.32
Loss on impairment of assets (loss expressed with “-”)	-2,580,564.17	
Gains from disposal of asset (loss expressed with “-”)		
II. Operating profit (loss expressed with “-”)	1,244,548,019.33	2,745,996.91
Add: Non-operating income	46,443.78	
Less: Non-operating expenses	6,951.39	82.78
III. Total profit (total loss expressed with “-”)	1,244,587,511.72	2,745,914.13
Less: Income tax expense		
IV. Net profit (net loss expressed with “-”)	1,244,587,511.72	2,745,914.13
(1) Net profit from continuing operations (net loss expressed with “-”)	1,244,587,511.72	2,745,914.13
(2) Net profit from discontinued operations (net loss expressed with “-”)		
V. Net after tax for other comprehensive income	701,107,406.99	
(1) Other comprehensive income that may not be reclassified to profit or loss	701,107,406.99	
1. Change in re-measurement of defined benefit plans		

2. Other comprehensive income that may not be reclassified to profit or loss under equity method	-313,694.29	
3. Change in fair value of investments in other equity instruments	701,421,101.28	
4. Change in fair value of own credit risk		
(2) Other comprehensive income that may be reclassified to profit or loss		
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Change in fair value of other debt investments		
3. Amount included in other comprehensive income on reclassification of financial assets		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedges reserve (effective portion of gain or loss on cash flow hedges)		
6. Exchange differences arising from translation of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	1,945,694,918.71	2,745,914.13

Legal representative: Han Guangde      Person in charge of accounting: Hou Zengquan      Head of accounting department: Xie Weihong

## Consolidated Cash Flow Statement

From January to June 2020

Unit: Yuan Currency: RMB

Item	1st half of 2020	1st half of 2019
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods or rendering of services	4,453,914,097.85	6,058,118,267.56
Net increase in deposits from customers and deposits from other banks		
Net increase in loans from central bank		
Net increase in placements from other financial institutions		
Cash receipts of premium for direct insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from insurance policy holders and investment		
Cash receipts of interest, fees and commissions		
Net increase in placements from other financial institutions		
Net increase in sales and repurchase operations		
Cash receipts of brokerage for securities trading		
Cash received from tax refund	142,231,304.94	596,547,275.43
Other cash receipts relating to operating activities	975,704,748.52	1,137,939,919.46
Sub-total of cash inflows from operating activities	5,571,850,151.31	7,792,605,462.45
Cash paid for goods and services	7,518,112,723.78	9,667,631,483.97
Net increase in loans and advances to customers		
Net increase in central bank and interbank deposits		
Cash paid for claims of direct insurance contracts		
Net increase in placements with banks and non-bank financial institutions		
Cash paid for interest, fees and commissions		
Cash paid for dividends of insurance policies		
Cash paid to and on behalf of employees	509,240,432.48	945,314,358.75
Payments of taxes	69,932,754.91	71,995,816.45
Other cash payments relating to operating activities	212,082,219.69	308,141,118.24
Sub-total of cash outflows from operating activities	8,309,368,130.86	10,993,082,777.41
Net cash flows from operating activities	-2,737,517,979.55	-3,200,477,314.96
<b>II. Cash flows from investing activities:</b>		
Cash receipts from recover of investments	994,723,098.00	300,000,000.00
Cash receipts from investment income	3,280,462.79	6,060,784.49
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	731,602.85	222,809.08
Net cash receipts from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities	1,448,872,954.44	1,720,638,033.71
Sub-total of cash inflows from investing activities	2,447,608,118.08	2,026,921,627.28
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	497,937,659.45	371,211,006.35
Cash paid for investments	1,327,671,072.11	630,614,976.25
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business	10,706,417.69	

units		
Other cash payments relating to investing activities	5,610,379,990.82	2,394,898,237.08
Sub-total of cash outflows from investing activities	7,446,695,140.07	3,396,724,219.68
Net cash flows from investing activities	-4,999,087,021.99	-1,369,802,592.40
<b>III. Cash flows from financing activities:</b>		
Cash receipts from receiving investments		
Including: Cash received by subsidiaries from receiving investments made by minority interest		
Cash receipts from borrowings obtained	3,476,463,262.48	6,920,297,222.23
Other cash receipts relating to financing activities	48,500,000.00	167,000,000.00
Sub-total of cash inflows from financing activities	3,524,963,262.48	7,087,297,222.23
Cash paid for repayment of debts	3,146,782,119.50	6,002,152,246.16
Cash paid for dividends, profit distribution or interest expenses	81,313,671.50	190,507,347.30
Including: Dividends and profits paid by subsidiaries to minority interests		
Other cash payments relating to financing activities	5,240,021.17	
Sub-total of cash outflows from financing activities	3,233,335,812.17	6,192,659,593.46
Net cash flows from financing activities	291,627,450.31	894,637,628.77
<b>IV. Effect of change in exchange rate on cash and cash equivalents</b>	19,158,231.62	-12,849,024.61
<b>V. Net increase in cash and cash equivalents</b>	-7,425,819,319.61	-3,688,491,303.20
Add: Beginning balance of cash and cash equivalents	10,683,490,790.99	8,536,815,355.09
<b>VI. Ending balance of cash and cash equivalents</b>	3,257,671,471.38	4,848,324,051.89

Legal representative: Han Guangde      Person in charge of accounting: Hou Zengquan      Head  
of accounting department: Xie Weihong



## Cash Flow Statement of the Parent Company

From January to June 2020

Unit: Yuan Currency: RMB

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

Legal representative: Han Guangde    Person in charge of accounting: Hou Zengquan    Head  
of accounting department: Xie Weihong

## **§8 Notes to Consolidated Financial Statements**

### **I. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

#### **(1) Basis for preparation**

Based on going-concern assumption and transactions and events actually occurred, the consolidated financial statements of the Group have been prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, (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 the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and regulations of Hong Kong Companies Ordinance as well as the accounting policies and estimation of the Group.

#### **(2) Going-concern**

The management of the Group has assessed its ability to operate on a continuing basis for the 12 months from 30 June 2020 and is of the view that its existing financial position should be sufficient to meet the production and operation of the Group. As such, these financial statements are prepared on a going-concern basis.

### **II. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES**

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

### III. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial statement data disclosed below, unless otherwise stated, “Beginning balance” refers to the balance as at 1 January 2020; and “Ending balance” refers to the balance as at 30 June 2020. “Current period” refers to the period from 1 January 2020 to 30 June 2020; and “Corresponding period of last year” refers to the period from 1 January 2019 to 30 June 2019. The currency unit is RMB.

#### 1. Notes receivable

##### 1) Types of notes receivable Item

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

Among the above notes receivable of the Group, RMB77,700,742.99 had an ageing of less than 180 days, and RMB25,107,984.00 had an ageing of 181-360 days.

##### 2) Notes receivable pledged as at the end of the period

None.

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

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

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

None.

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

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis										
Provision for bad debts made on a collective basis	102,808,726.99	100.00			102,808,726.99	633,564,863.60	100.00			633,564,863.60
Including:										
Due within one year	102,808,726.99	100.00			102,808,726.99	633,564,863.60	100.00			633,564,863.60
Total	102,808,726.99				102,808,726.99	633,564,863.60				633,564,863.60

## 2. Accounts receivable

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

### 1) Disclosure by ageing

Aging	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	815,209,223.53	4,076,030.53	0.50
1-2 years	365,641,471.26	1,828,207.35	0.50
2-3 years	25,243,277.71	126,216.39	0.50
3-4 years			
4-5 years	65,158,500.00	325,792.50	0.50
Over 5 years	32,709,345.44	163,546.73	0.50
Total	1,303,961,817.94	6,519,793.50	—

(Continued)

Aging	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	2,061,611,397.71	17,756,721.76	0.86
1-2 years	169,910,788.01	2,750,302.26	1.62
2-3 years	25,034,038.97	4,980,647.91	19.90
3-4 years	80,122,732.66	849,300.97	1.06
4-5 years	37,003,019.27	1,247,001.75	3.37
Over 5 years	16,946,727.86	12,664,289.73	74.73
Total	2,390,628,704.48	40,248,264.38	—

## 2) Credit period of accounts receivable

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

## 3) Disclosure by the method using which the provision for bad debts is made

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis						28,437,630.23	1.19	28,437,630.23	100.00	
Including:										
Accounts receivable of which the credit risk has significantly increased since initial recognition						28,437,630.23	1.19	28,437,630.23	100.00	
Provision for bad debts made on a collective basis	1,303,961,817.94	100.00	6,519,793.50	0.50	1,297,442,024.44	2,362,191,074.25	98.81	11,810,634.15	0.50	2,350,380,440.10
Including:										
Accounts receivable of which the credit risk has not significantly increased since initial recognition	1,303,961,817.94	100.00	6,519,793.50	0.50	1,297,442,024.44	2,362,191,074.25	98.81	11,810,634.15	0.50	2,350,380,440.10
Total	1,303,961,817.94	—	6,519,793.50	—	1,297,442,024.44	2,390,628,704.48	—	40,248,264.38		2,350,380,440.10

a) Provision for bad debts made on a collective basis:

Accounts receivable of which the credit risk has not significantly increased since initial recognition

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	815,209,223.53	4,076,030.53	0.50
1-2 years	365,641,471.26	1,828,207.35	0.50
2-3 years	25,243,277.71	126,216.39	0.50
3-4 years			
4-5 years	65,158,500.00	325,792.50	0.50
Over 5 years	32,709,345.44	163,546.73	0.50
Total	1,303,961,817.94	6,519,793.50	—

Recognition criteria and description of provision for bad debts made on a collective basis:

The Group determines the accounts receivable which have not been tested individually for impairment to be the accounts receivable the credit risk of which has not significantly increased since initial recognition. Based on the actual credit loss for previous years and considering forwarding information for the year, the Group expects the default loss ratio to be 0.5%, determines the expected credit loss of accounts receivable and makes provision for bad debts based on 0.5% of the balance at the balance sheet date.

#### 4) Provision for bad debts

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

Provision for bad debts made, reversed or recovered during the period

None

#### 5) Accounts receivable written-off during the period

None

#### 6) Top five accounts receivable by ending balance of debtors

Name of entity	Relationship with the Group	Ending balance	Aging	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Entity 1	Third party	185,343,200.00	Within 1 years	14.21	926,716.00
Entity 2	Third party	177,124,800.00	Within 1 years	13.58	885,624.00
Entity 3	Third party	95,181,300.00	Within 1 years	7.3	475,906.50
Entity 4	Third party	73,148,974.14	Within 1 years	5.61	365,744.87
Entity 5	Third party	72,522,074.38	Within 1 years	5.56	362,610.37
Total		603,320,348.52		46.26	3,016,601.74

7) Accounts receivable derecognised arising from transfer of financial assets:

None

8) Amounts of assets and liabilities transferred from accounts receivable with continuing involvement:

None

### 3. Notes payable

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

Total notes payable due and unpaid as at the end of the period amounted to RMB0.

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



#### 4. Accounts payable

##### 1) Accounts payable

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

##### 2) Aging of accounts payable

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

##### 3) Significant accounts payable with aging over one year

Item	Ending balance	Including: Amount over one year	Reason for unsettlement or carrying forward
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	654,273,377.78	133,011,802.28	Equipment warranty and provisional estimates
CSSC Systems Engineering Research Institute	374,071,991.46	297,343,960.69	Equipment warranty and provisional estimates
WARTSILA FINLAND OY	170,315,573.66	122,070,577.31	Provisional estimates
China Shipbuilding Industry Corporation 704 Research Institute	118,791,955.77	85,597,476.11	Equipment warranty, provisional estimates and unfinished projects
Aviation Technology Research Institute of China Aerospace Science and Industry	113,274,200.00	69,484,200.00	Equipment warranty and provisional estimates
Nanjing Keruida Electronic Equipment Co., Ltd.	95,811,999.99	64,381,999.99	Equipment warranty and provisional estimates
Supplier 1	45,105,000.00	45,105,000.00	Equipment warranty and provisional estimates
AL NEHRA PETROME FZE	45,017,175.95	45,017,175.95	Equipment warranty
Wenzhou Bohong Electric Co., Ltd.	39,796,740.00	37,489,146.86	Equipment warranty and provisional estimates
Eastern Shanghai Heavy Machinery Co., Ltd.	31,854,603.83	31,854,603.83	Equipment warranty and provisional estimates
Total	1,688,312,618.44	931,355,943.02	—

5. Undistributed profit

<b>Item</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
Undistributed profit as at the end of last year before adjustment	-1,605,393,084.53	-2,153,702,475.37
Add: Beginning adjustment to undistributed profit		
Including: Accounting policy change		
Changes in business combination under common control		
Undistributed profit as at the beginning of the year after adjustment	-1,605,393,084.53	-2,153,702,475.37
Add: Net profit attributable to owners of the Parent Company for the current period	3,102,837,570.74	390,750,329.92
Add: Transfer from other comprehensive income to retained earnings	-3,358,682.58	
Less: Statutory surplus reserve set aside		
Undistributed profits as at the end of the period	1,494,085,803.63	-1,762,952,145.45

6. Net current assets

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Current assets	19,764,309,706.08	33,235,450,338.19
Less: Current liabilities	16,423,108,703.53	29,410,507,753.51
Net current assets	3,341,201,002.55	3,824,942,584.68

7. Total assets less current liabilities

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

8. Operating income and operating cost

Item	Current period		Corresponding period of last year	
	Income	Cost	Income	Cost
Principal business	4,213,353,546.66	4,003,870,049.28	7,778,237,332.64	7,612,209,764.96
Other business	79,827,636.90	57,373,480.24	37,847,987.04	14,651,035.85
<b>Total</b>	<b>4,293,181,183.56</b>	<b>4,061,243,529.52</b>	<b>7,816,085,319.68</b>	<b>7,626,860,800.81</b>

Gross profit from principal business

Item	Current period	Corresponding period of last year
Income from principal business	4,213,353,546.66	7,778,237,332.64
Cost of principal business	4,003,870,049.28	7,612,209,764.96
<b>Gross profit</b>	<b>209,483,497.38</b>	<b>166,027,567.68</b>

(1) Principal business – by product

Product name	Current period	Corresponding period of last year
<b>Income from principal business:</b>		
Ship products	3,077,585,661.50	6,396,382,932.72
Offshore engineering products	105,645,690.20	320,174,444.06
Steel structure products	605,871,872.62	357,375,955.95
Ship maintenance and modification	250,019,839.88	350,573,955.00
Electromechanical products and others	174,230,482.46	353,730,044.91
<b>Total</b>	<b>4,213,353,546.66</b>	<b>7,778,237,332.64</b>
<b>Cost of principal business:</b>		
Ship products	2,994,497,444.65	6,408,256,088.84
Offshore engineering products	114,357,275.36	308,775,195.75
Steel structure products	566,416,293.66	336,439,069.43
Ship maintenance and modification	190,538,170.88	283,999,906.72
Electromechanical products and others	138,060,864.73	274,739,504.22
<b>Total</b>	<b>4,003,870,049.28</b>	<b>7,612,209,764.96</b>

## (2) Principal business – by region

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

(3) Other operating income and other operating costs

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

(4) Revenue from contracts

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

(5) Top five customers by operating income

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

(6) Purchase amounts from top five suppliers

<b>Suppliers</b>	<b>Relationship with the Group</b>	<b>Current period</b>	<b>Percentage of total operating costs from principal business (%)</b>
Supplier 1	Under common control of CSSC	1,622,608,152.28	40.53
Supplier 2	Third party	44,969,225.93	1.12
Supplier 3	Third party	44,529,008.79	1.11
Supplier 4	Third party	33,509,572.48	0.84
Supplier 5	Third party	31,848,550.19	0.8
<b>Total</b>		<b>1,777,464,509.67</b>	<b>44.4</b>

9. Finance cost

(1) Breakdown of interest expenses

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

(2) Breakdown of interest costs

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

(3) Breakdown of interest income

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



10. Investment income

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

Other description: Investment income from investment in listed companies and non-listed companies for the period amounted to RMB0 (corresponding period of last year: RMB 0) and RMB3,373,579,240.59 (corresponding period of last year: RMB-200,623,239.54), respectively.

11. Gain on change in fair value

<b>Source of gain on change in fair value</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
Change in fair value of financial assets held-for-trading	68,496,346.27	31,425,173.63
Change in fair value of held-for-trading financial liabilities	-99,120,937.27	233,024,977.65
<b>Total</b>	<b>-30,624,591.00</b>	<b>264,450,151.28</b>

12. Non-operating income

(1) Breakdown of non-operating income

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

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

(2) Government grants included in current profit or loss

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

(3) Description of profit from disposal of properties

Non-operating income of the Group for the current period included profit from disposal of properties of RMB0 (corresponding period of last year: RMB0).

13. Income tax expense

(1) Income tax expense sheet

Item	Current period	Corresponding period of last year
Current income tax expense	162,415.67	29,434,469.43
1. China	191,037.24	29,475,982.38
2. Hong Kong		
3. Macau income tax		
4. Over-provision (under-provision) in prior years	-28,621.57	-41,512.95
Deferred income tax expense	16,080,580.72	64,550,523.50
Total	16,242,996.39	93,984,992.93

## (2) Reconciliation of accounting profit and income tax expenses

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

## (3) Main taxes and rates

	Tax basis	Tax rate
PRC enterprise income tax	Taxable income	15%、20%、25%
Hong Kong profits tax	Taxable income	16.5%
-Value-added tax <sup>Note</sup>	Domestic sales; provision of processing, repair and repair services; rental income	13%
	Revenue from construction and installation business	9%
	Modern services industry	6%
-City maintenance and construction tax	Turnover tax payable	7%
-Educational surcharge	Turnover tax payable	3%
-Local educational surcharge	Turnover tax payable	2%

Notes on taxpayers subject to different enterprise income tax rates:

<b>Name of entity</b>	<b>Tax rate</b>	<b>Remarks</b>
The Company	25%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Guangzhou Wenchong Shipyard Co., Ltd.	15%	
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	15%	
Wah Shun International Marine Limited	16.50%	Note
WahLoong International Marine Limited	16.50%	Note
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	20%	
Other subsidiaries	25%	

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

#### (4) Preferential taxation treatment

##### 1. Value-added tax

(1) Export income: The Group is an enterprise engaged in production and operation. Tax relief, credit and rebate policy is applicable to all of its self-produced goods for export. The tax rebate rate is 13% for ship products and 9% for steel structure products.

(2) Revenue from military products: Value-added tax is exempted for military production (order) contracts upon completion of the relevant procedures for tax relief

(3) Revenue from software: In accordance with the Circular of the State Administration of Taxation of the Ministry of Finance on the Value-added Tax Policy of Software Products (Cai Shui [2011] No. 100), for sales of self-developed software by a value-added tax general taxpayer, the portion of actual value-added tax burden in excess of 3% may be recovered upon payment in accordance with the relevant policy.

(4) In accordance with the relevant regulations of Announcement on Deepening the Policies Related to Valued-Added Tax Reform (Ministry of Finance, State Tax Administration and General Administration of Customs [2019] No. 39) issued by the Ministry of Finance, the Tax Administration and the General Administration of Customs, from 1 April 2019 to 31 December 2021, some of the Group's subsidiaries engaged in production or livelihood services is allowed to have a 10% weighted deduction of creditable input VAT in the current period from the tax amount payable.

##### 2. Enterprise income tax

(1) CSSC Huangpu Wenchong Shipbuilding Company Limited obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201844011040) on 28 November 2018, with a validity period of three years. Its enterprise income tax for the current period was paid at a rate of 15%.

Guangzhou Wenchong Chonggong Co. Ltd. obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201844002831) on 28 November 2018, with a validity period of three years. Its enterprise income tax for the current period was paid at a rate of 15%.

Guangzhou Wenchong Shipyard Co., Ltd. obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201944010453) on 2 December 2019, with a validity period of three years. Its enterprise income tax for the current period was paid at a rate of 15%.

(2) Zhanjiang Nanhai and Xingji are small low-profit enterprises, with the income tax rate of 20% for the current period.

#### 14. Earnings per share

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

The numerator of the diluted earnings per share attributable to ordinary shareholders is the Company's net profit after adjustment of the following factors: (1) the recognised interest expense of dilutive potential ordinary shares; (2) income or expense that would result from the conversion of dilutive potential ordinary shares; and (3) the related income tax effects of the above adjustments.

The denominator of diluted earnings per share is equal to the sum of: (1) the weighted average number of issued ordinary shares of the Company in basic earnings per share; and (2) the weighted average number of shares after conversion of the dilutive potential ordinary shares into ordinary shares.

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

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

Item	No.	Current period	Corresponding period of last year
Net profit attributable to shareholders of the Parent Company	1	3,102,837,570.74	390,750,329.92
Non-recurring gains and losses attributable to the Parent Company	2	3,401,798,603.04	812,658,713.76
Net profit attributable to shareholders of the Parent Company, net of non-recurring gains and losses	3=2-1	-298,961,032.30	-421,908,383.84
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 next month to the year-end regarding the number of shares (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the next month to the year-end regarding the decrease of shares	9		
Number of shares decreased due to capital reduction	10		
Number of months in the reporting period	11	6	6
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	2.1951	0.2764
Basic earnings per share(II)	15=3÷13	-0.2115	-0.2985
Potential diluted interests of ordinary shares recognised as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds,etc.	19		
Diluted earnings per share ( I )	$20=[1+(16-18)\times(1-17)]\div(12+19)$	2.1951	0.2764
Diluted earnings per share ( II )	$21=[3+(16-18)\times(1-17)]\div(13+19)$	-0.2115	-0.2985

## 15. Dividends

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

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

## 16. Depreciation and amortization

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

## 17. Gains (or losses) on disposal of investments or properties

Gains (or losses) on disposal of investments during the current period were RMB3,388,812,191.70 (corresponding period of last year: RMB0), including the gain on re-measurement of remaining equity interest upon the income from the disposal of part of the equity of GSI and loss of control at fair value amounted to RMB3,389,557,049.90, equity income amounted to RMB86,261.80 arising from the disposal of Zhanjiang Nanhai Naval New Technology & Service Co., Ltd., and equity income amounted to RMB-831,120.00 arising from the disposal of Guangzhou Nanhuan Environmental Service Co., Ltd.\* (廣州南環環境服務有限公司).

18. Gains on disposal of properties during the current period were RMB0 (corresponding period of last year: RMB0)



## **IV. 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 4 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 engineering, ship repair and related business 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 during the period**

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

## Current period

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

Corresponding period of last year

Item	Shipbuilding and related business segment	Steel structure engineering	Ship maintenance and related business segment	Others segment	Inter-segment elimination and adjustment	Total
Operating income	8,163,215,956.79	438,843,173.74	281,878,559.73	742,751,349.95	-1,810,603,720.53	7,816,085,319.68
Including: Revenue from external transactions	6,968,745,653.37	320,013,669.12	279,054,865.73	248,271,131.46		7,816,085,319.68
Revenue from intra- segment transactions	1,194,470,303.42	118,829,504.62	2,823,694.00	494,480,218.49	-1,810,603,720.53	
Operating costs	8,143,237,454.33	413,911,766.76	243,599,568.60	719,951,004.87	-1,893,838,993.75	7,626,860,800.81
Charges during the period	527,118,126.73	42,485,743.23	97,203,992.58	30,341,273.90	-1,840,323.86	695,308,812.58
Segment total profit	762,844,365.46	-15,955,374.31	-57,906,889.17	10,337,143.29	4,290,610.52	703,609,855.79
Total assets	47,611,012,116.40	1,388,714,530.54	2,417,802,622.36	12,653,779,245.18	-16,514,772,789.35	47,556,535,725.13
Total liabilities	32,354,058,427.77	1,112,569,618.23	2,471,657,616.79	2,948,791,231.06	-6,473,957,967.23	32,413,118,926.62
Supplementary information						
Capital expenditure	1,284,222,110.56	2,702,028.55	12,143,108.54	2,758,734.95	-300,000,000.00	1,001,825,982.60
Impairment loss recognized during current period	77,708,026.97	558,718.94	-199,251.13	30,761.71	-28,084.55	78,070,171.94
Depreciation and amortisation expense	347,843,378.03	3,474,563.59	36,222,072.15	42,345,016.48	-1,200,425.03	428,684,605.22

## (2) Revenue from external transactions by origin of revenue

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

## (3) Non-current assets by location of assets

Total non-current assets	Ending balance	Beginning balance
Non-current assets within China	9,863,622,974.36	14,522,172,411.45
Non-current assets in other countries	625,076,129.61	640,462,653.28
<b>Total</b>	<b>10,488,699,103.97</b>	<b>15,162,635,064.73</b>

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

## §9 DOCUMENTS AVAILABLE FOR INSPECTION

The 2020 interim report will be available at the following addresses and websites:

HKEXnews website of the Stock Exchange of  
Hong Kong Limited

[www.hkexnews.hk](http://www.hkexnews.hk)

Website of the Shanghai Stock Exchange  
Place for inspection of the interim report

[www.sse.com.cn](http://www.sse.com.cn)

Office of the Board of Directors, Floor 15,  
Ship Building, No.137 Gexin Road,  
Haizhu District, Guangzhou

By order of the Board  
**CSSC Offshore & Marine Engineering (Group) Company Limited**  
**Han Guangde**  
*Chairman*

Guangzhou, 28 August 2020

*As at the date of this announcement, the Board comprises eleven Directors, namely executive Directors Mr. Han Guangde, Mr. Chen Zhongqian, Mr. Chen Liping, Mr. Sheng Jigang, Mr. Xiang Huiming and Mr. Chen Ji, non-executive Director Mr. Shi Jun and independent non-executive Directors Mr. Wang Yichu, Mr. Min Weiguo, Mr. Liu Renhuai and Mr. Yu Shiyou.*