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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 with limited liability incorporated in the People's Republic of China)*

**H Share Stock Code: 00317**

## **SUMMARY OF THE 2018 INTERIM REPORT**

### **§1 IMPORTANT NOTES**

1.1 The financial information contained in this summary of the interim report (the “Report”) for the six months ended 30 June 2018 (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 eighth meeting of the ninth session of the Board held on 23 August 2018. The 2018 interim report was unanimously approved at the meeting.

1.3 The 2018 interim financial report of the Company is unaudited.

1.4 The Report is a summary of the full text of the 2018 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 interpretation occurs, 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: Yuan Currency: RMB

Key accounting information	Reporting Period (From January to June)	Corresponding period of last year		Change (%)
		After adjustment	Before adjustment	
Operating income	8,219,935,619.41	10,417,531,197.45	10,417,531,197.45	-21.10
Net profit attributable to shareholders of the Company	-294,982,112.04	43,972,225.89	43,972,225.89	-770.84
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-484,093,600.23	-18,554,794.39	-18,554,794.39	Not applicable
Net cash flows from operating activities	-2,523,805,949.33	-3,772,268,540.51	-3,772,268,540.51	Not applicable
	As at the end of the Reporting Period	As at the end of last year		Change(%)
		After adjustment	Before adjustment	
Net assets attributable to shareholders of the Company	11,312,169,015.17	10,403,863,300.44	10,414,542,658.54	8.73
Total assets	44,949,455,570.71	44,728,953,320.94	44,157,662,027.63	0.49

As the result of the adoption of the Accounting Standard for Business Enterprises No. 14 – Revenue (Amendment), the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Amendment), the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets (Amendment), the Accounting Standard for

Business Enterprises No. 24 – Hedging Accounting (Amendment), and the Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (Amendment) (the “New Standards for Financial Instruments”) in 2018, the opening balances of certain items in the balance sheet were adjusted retrospectively, of which inventories decreased by RMB 5,764,483,485.18; contract assets increased by RMB 6,312,042,836.23; available-for-sale financial assets decreased by RMB21,029,995.04; investment in other equity instruments decreased by RMB44,726,104.08; deferred tax assets increased by RMB35,833.22; advances from customers decreased by RMB650,869,010.03; contract liabilities increased by RMB 6,420,311,531.98; other current liabilities decreased by RMB5,407,233,010.85; deferred tax liabilities increased by RMB5,995,510.20; other comprehensive income increased by RMB17,736,432.06; and undistributed profit decreased by RMB 28,415,790.16.

### 2.1.2 Key financial indicators

Key financial indicators	Reporting Period (From January to June)	Corresponding period of last year		Change (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB/share)	-0.2087	0.0311	0.0311	-771.06
Diluted earnings per share (RMB/share)	-0.2087	0.0311	0.0311	-771.06
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.3425	-0.0131	-0.0131	Not applicable
Weighted average return on equity (%)	-2.67	0.42	0.42	Decrease of 3.09 percentage points
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-4.38	-0.18	-0.18	Decrease of 4.20 percentage points

### 2.1.3 Extraordinary items and their amounts

*Unit: RMB*

<b>Extraordinary items</b>	<b>Amount</b>
Gain or loss on disposal of non-current assets	-783,194.09
Government grants included in current profit or loss, other than on-going government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	15,824,955.60
Gain or loss on entrusted investments or assets under management	25,683,820.27
Gain or loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation	-221,968,289.98
Other non-operating income and expenses apart from the aforesaid items	505,844,283.19
Effect of minority interests	-51,172,489.59
Effect of income tax	-84,317,597.21
Total	189,111,488.19

### **§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 2018, the Group had a total of 15,810 employees. For the period ended 30 June 2018, the remuneration paid by the Group to employees was RMB1,021 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 2018**

New shipbuilding orders maintained growth. In the first half of 2018, the shipping market remained steady and grew. This, together with the market opportunities created by the new regulations on environmental protection, the widening of the Panama Canal and the increase in the energy export of North America, resulted in the global new shipbuilding orders amounting to 468 ships with 35.25 million DWT, representing an increase of 17.4% compared with the corresponding period of last year.

The prices of new ships continued to rise steadily. On one hand, the prices of raw materials such as steel and labour costs continued to rise successively, resulting in higher shipbuilding costs. On the other hand, the order book of key shipbuilders in the world had been somehow replenished, and shipbuilders became less willing to compete for shipbuilding orders at extremely low prices, and the balance between the supply and demand in the shipbuilding market has improved. In the first half of 2018, the prices of new ships continued to pick up from the bottom in the second quarter of last year. As at the end of June 2018, the ClarkSea Index rose to 128 points, 3 points higher than at the beginning of the year, and the China Newbuilding Price Index rose to 1,095 points, 70 points higher than at the beginning of the year.

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

During the Reporting Period, the Group secured new shipbuilding orders with contract value of

RMB16,925 million, representing an increase of 215% 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 RMB8,220 million, representing a decrease of 21.10% compared with the corresponding period of last year. Net profit attributable to the shareholders of the Company amounted to RMB-294,982,100. Earnings per share were RMB-0.2087, and earnings per share after deduction of non-recurring gains and losses were RMB-0.3425.

## 4.2 Main business analysis

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

Unit: RMB

Item	Reporting Period	Corresponding period of last year	Change (%)
Operating income	8,219,935,619.41	10,417,531,197.45	-21.10
Operating costs	8,139,908,389.00	9,569,573,977.38	-14.94
Selling expenses	27,945,686.04	82,600,434.36	-66.17
Administrative expenses	359,944,871.91	376,333,475.94	-4.35
Finance cost	63,129,150.76	198,463,829.73	-68.19
Net cash flows from operating activities	-2,523,805,949.33	-3,772,268,540.51	Not applicable
Net cash flows from investing activities	-1,327,994,034.47	727,282,825.52	-282.60
Net cash flows from financing activities	-206,622,871.98	-228,287,001.59	Not applicable
Research and development expense	195,617,865.61	178,644,952.31	9.50

Reason for change in operating income: factors such as the decrease in the number of orders as a result of the previously sluggish shipbuilding market and the relocation and consolidation of the Nansha Plant, etc.

Reason for change in operating costs: actors such as the decrease in the number of orders as a result of the previously sluggish shipbuilding market and

the relocation and consolidation of the Nansha Plant, etc.

Reason for change in selling expenses: mainly due to the reversal of provision for warranty expenses during the period.

Reason for change in administrative expenses: mainly due to the decrease in rental fees, repair expenses and remuneration.

Reason for change in finance cost: mainly due to the decrease in interest expenses and net exchange loss during the period.

Reason for change in net cash flow from operating activities: mainly due to the year-on-year decrease in the payment for materials and equipment.

Reason for change in net cash flow from investing activities: mainly due to the fixed deposits over three months during the period.

Reason for change in net cash flow from financing activities: the repayment of borrowings following introduction of investors for the Company, resulting in the decrease in interest expenses.

Reason for change in research and development expense: the strengthening of technical research and development during the period.

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

*Unit: RMB*

Item	Reporting Period	Corresponding period of last year	Change (%)	Reason for change
Selling expenses	27,945,686.04	82,600,434.36	-66.17	Reversal of provision for warranty expenses during the period
Finance cost	63,129,150.76	198,463,829.73	-68.19	Decrease in interest expenses and net exchange loss during the period
Loss on impairment of assets	80,048,917.97	18,310,217.17	337.18	Increase in the provision for expected contractual loss made during the period
Credit impairment loss	11,086,333.77	-4,003,144.53	Not applicable	Increase in the provision for loss on bad debts made during the period
Other income	5,142,870.30	20,209,210.99	-74.55	Decrease in government grants received during the period



Gain on change in fair value	-221,420,289.98	-655,224.92	Not applicable	More forward exchange contracts were entered into and wider fluctuation in exchange rate during the year
Non-operating income	564,253,482.08	22,812,890.90	2,373.40	Recognition of net income from compensation for relocation during the period
Non-operating expenses	57,365,100.00	977,913.09	5,766.07	Settlement of arbitration in relation to Huangpu Wenchong, a subsidiary of the Company
Income tax expense	-32,894,664.43	11,111,662.08	-396.04	Decrease in deferred income tax expenses
Gain or loss attributable to minority interests	-42,527,459.45	7,983,770.85	-632.67	Introduction of new shareholders for subsidiaries
Other comprehensive income	-2,300,574.80	213,038.28	-1,179.89	Designation of investments in equity instruments not held-for-trading as financial assets at fair value through profit or loss as a result of the adoption of the new accounting standards on financial instruments

### 4.2.3 Analysis of assets and liabilities

Unit: RMB

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
Financial assets held-for-trading	11,802,666.85	0.03	6,602,255.91	0.01	78.77	Foreign exchange forward contracts/swap contracts were entered into during the year, and their fair values were determined based on agreed exchange rates/forward exchange rates at the end of the period
Prepayments	3,318,755,708.93	7.38	2,475,182,224.91	5.53	34.08	Increase in the prepayments for materials and equipment
Other receivables	229,427,780.16	0.51	175,810,822.91	0.39	30.50	Increase in refundable deposit paid
Non-current assets due within one year	361,669,828.88	0.80	1,033,143,116.08	2.31	-64.99	Settlement of entrusted wealth management products

Long-term receivables	1,558,548,222.38	3.47	460,059,537.09	1.03	238.77	Compensation for relocation recognised during the period
Other non-current financial assets	70,000,000.00	0.16	-	-	Not applicable	Entrusted wealth management products due after one year
Other non-current assets	2,894,563.48	0.01	199,020,072.23	0.44	-98.55	Carrying forward of relocation expenses to current profit or loss
Financial liabilities held-for-trading	229,986,995.23	0.51	3,366,294.31	0.01	6,732.05	Foreign exchange forward contracts/swap contracts were entered into during the year, and their fair values were determined based on agreed exchange rates/forward exchange rates at the end of the period
Non-current liabilities due within one year	3,127,000,000.00	6.96	4,482,400,000.00	10.02	-30.24	Repayment of borrowings
Other current liabilities	49,189,633.07	0.11	137,250,591.28	0.31	-64.16	No commercial acceptance bills endorsed and undue during the period
Long-term borrowings	4,450,757,000.00	9.90	8,142,857,000.00	18.20	-45.34	Repayment of borrowings
Deferred income	86,947,154.63	0.19	31,895,704.27	0.07	172.60	Increase in government grant received during the year

Minority interests	5,156,413,044.37	11.47	1,531,599,209.58	3.42	236.67	Introduction of new shareholders for subsidiaries
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#### 4.2.4 Principal businesses by product and by region

Unit: RMB

<b>Principal businesses by product</b>				
<b>Product name</b>	<b>Current period</b>		<b>Corresponding period of last year</b>	
	<b>Operating income</b>	<b>Operating costs</b>	<b>Operating income</b>	<b>Operating costs</b>
Shipbuilding	6,283,141,777.05	6,196,218,059.63	7,674,361,462.69	6,936,447,935.03
Offshore engineering products	743,829,381.34	853,123,607.73	1,784,423,678.93	1,805,394,959.82
Ship maintenance	40,226,893.31	22,130,382.21	48,735,468.03	41,150,270.39
Steel structure engineering	166,534,131.26	155,946,666.27	312,126,731.28	265,852,424.00
Electromechanical products and others	881,796,802.06	848,152,534.29	463,370,516.60	408,436,913.03
<b>Total</b>	<b>8,115,528,985.02</b>	<b>8,075,571,250.13</b>	<b>10,283,017,857.53</b>	<b>9,457,282,502.27</b>
<b>Principal businesses by region</b>				
<b>Region</b>	<b>Current period</b>		<b>Corresponding period of last year</b>	
	<b>Operating income</b>	<b>Operating costs</b>	<b>Operating income</b>	<b>Operating costs</b>
China (including Hong Kong, Macau and Taiwan)	4,807,860,459.38	4,762,624,252.48	6,719,257,671.90	6,171,100,633.35

Other regions in Asia	256,116,670.75	247,496,297.44	866,560,420.94	825,498,288.97
Europe	1,669,003,495.52	1,718,449,352.37	1,809,924,941.80	1,719,938,861.32
Oceania	235,552,115.80	233,346,125.82	565,739,206.58	464,249,218.63
North America	874,090,624.27	836,142,801.47	264,673,443.70	257,230,365.46
Africa	227,579,212.20	232,186,013.45	56,862,172.61	19,265,134.54
South America	45,326,407.10	45,326,407.10	-	-
<b>Total</b>	<b>8,115,528,985.02</b>	<b>8,075,571,250.13</b>	10,283,017,857.53	9,457,282,502.27

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

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

During the Reporting Period, the balance of equity investments made by the Group amounted to RMB765,206,367.49, representing an increase of 3.68% from RMB738,018,660.57 as at the beginning of the year.

#### **4.4 Information on use of funds raised**

As approved in the Reply for Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing issued by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2015] No. 330), on 30 March 2015, the Company issued 42,559,089 A Shares in the par value of RMB1 each through private placement to 7 specific investors at an issue price of RMB37.78 each, raising net proceeds of RMB1,541,373,292.57.

In the first half of 2018, the Company utilised a total of RMB6,040,770.52 out of the total proceeds raised. As at 30 June 2018, the total utilised amount of proceeds raised was RMB1,541,373,292.57, and all the proceeds raised had been utilised.

#### **4.5 Information on the projects financed by funding other than proceeds raised**

During the Reporting Period, the Company had no projects financed by funding other than proceeds raised.

## **§5 SIGNIFICANT EVENTS**

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

#### **5.1.1 Equity acquisitions**

On 27 June 2018, the Resolution on the Connected Transaction in relation to the Non-exercise of the Right of First Refusal and the Right to Proportional Capital Increase by a Subsidiary of the Company

was considered and passed at the sixth meeting of the ninth session of the Board, whereby the non-exercise by GSI, a subsidiary of the Company, of its right of first refusal and right to proportional capital increase for Liner Technology was approved. For details, please refer to the Announcement of COMEC on the Connected Transaction in relation to the Non-exercise of the Right of First Refusal and the Right to Proportional Capital Increase by a Subsidiary published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 27 June 2018.

## **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 2017 of the Company held on 29 May 2018, the Company decided not to distribute dividends for 2017, nor would it convert any capital reserve into share capital. For details, please refer to the Announcement of Voting Results At The 2017 AGM published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 27 June 2018.

### **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 2018.

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

1. On 31 December 2010, the Company and its subsidiary Guangzhou Guangli Shipbuilding Human Resources Service Company Limited (“Guangli”) filed four lawsuits at the Zhenjiang Intermediate People’s court of Jiangsu province, being one case on the Company’s claim against Jiangsu Shenghua for return of properties, one case on technical service contract dispute, and two cases on Guangli’s claim against Jiangsu Shenghua for 79,600 ton bulk carriers 1# and 2# instalment work contract disputes. On 4 June 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua, and Jiangsu Shenghua had returned all the related assets. As for the case that the Company sued Jiangsu

Shenghua in relation to a dispute over technical service contract, and the case that Guangli sued Jiangsu Shenghua in relation to a dispute over the Contract for Installation Engineering of 1# and 2# 79,600 DWT bulk carriers, please refer to the “Significant Events - (I) Significant Litigations and Arbitrations” in the annual report of the Company for the year 2011 for details.

The Company attended the second meeting of creditors on 27 April 2017 and received a ruling made by Zhenjiang Intermediate Court on 17 May 2017 which approved the proposal for bankruptcy and realization of properties of Jiangsu Shenghua. The valuation of the existing properties, land and structures erected thereon and machinery and equipment of Jiangsu Shenghua was completed, and its ships under construction were still under valuation. In the next step, the third meeting of debtors for bankruptcy is expected to be held within 2018.

2. On 18 November 2013, Huangpu Wenchong, a wholly-owned subsidiary of the Company (“KCM”), entered into contracts for construction of four 64,000-ton bulk carriers (with ship numbers of H3067, H3068, H3069 and H3070) for four ship subsidiaries of KC Maritime Limited.

As there were disputes in relation to the delivery of two ships being H3067 and H3068, Huangpu Wenchong filed arbitrations with London Maritime Arbitrators Association on 29 January 2016 and 14 June 2016 respectively and the owners of these ships also issued counter-claims. On 10 April 2017, Huangpu Wenchong filed an arbitration at London Maritime Arbitration Tribunal in relation to the performance by the guarantor for two ships being H3069 and H3070 of its guarantee obligations. For details of the case, please refer to the section headed “Significant Events” in the third quarterly report 2016 of the Company.

As at 30 June 2018, Huangpu Wenchong, a subsidiary of the Company, KCM, being the ship owner, and four single ship companies owned by KCM reached a settlement for the building contract dispute case, and all parties have withdrawn their cases.

Save as disclosed, as at 30 June 2018, the Company was not involved in any material litigations or arbitrations and, to the best of the knowledge of the Company, there were no material litigations or arbitrations pending or threatened against or by the Company.



## 5.4 Entrustment, contracting and leasing matters

### 5.4.1 Leasing

*Unit: RMB in ten thousand*

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 Ship Industrial Company Limited	Wenchong Shipyard	Land, buildings and structures	-	2014.5.1	The date on which the relocation is completed and production	-	-	-	Yes	Sister company of the Group

					commences at the new plant					
GSI	Guangzhou Wenchong Dockyard Co., Ltd.	Land, buildings and structures and equipment	-	2015.9.30	-	688.61	-	-	Yes	Sister company of the Group

### Description of leases

1. In 2014, Guangzhou Ship Industrial Co., Ltd., Huangpu Wenchong and Wenchong Shipyard entered into a lease agreement in relation to land use right, pursuant to which Guangzhou Company shall lease the land use right owned by it in relation to the land at the Changzhou Plant and part of the land at the Wenchong Plant to Huangpu Wenchong and Wenchong Shipyard 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 on an annual basis in the form of monetary funds. 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 and Wenchong Shipyard is completed when they commence formal production at the new plant.

2. In 2016, GSI and Guangzhou Wenchong Dockyard Co., Ltd. entered into a property lease framework agreement in relation to the quarter for workers of CSSC Longxue base (stage 1 of phase I), pursuant to which the new worker's village located in Longxue Island, Nansha District, Guangzhou was leased to Wenchong Dockyard as staff quarter. It was agreed that the rent shall be settled on a quarterly basis and the lease shall take effect retrospectively on 30 September 2015. Formal property lease contract will be re-entered into upon project acceptance and settlement. Under the

aforsaid framework agreement and based on the actual use of the staff quarter (including utilities expenses), the rent income from such staff quarter for the first half of 2018 was approximately RMB6,886,110.52 in total.

#### 5.4.2 Guarantee

Unit: RMB

External guarantees by the Company (excluding guarantees for its subsidiaries)													
Guarantor	Relationship between guarantor and the Company	Guaranteed entity	Amount of guarantee	Date of guarantee (date of signing of agreement)	Guarantees Date of commencement	Guarantees Date of expiry	Type of guarantee	Whether fully executed	Whether guarantee is overdue	Overdue amount	Existence of counter guarantee	Whether provided for related party	Relationship
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantees during the Reporting Period (excluding guarantees provided for its subsidiaries)													
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)													
Guarantees provided by the Company for its subsidiaries													
Total amount of guarantees provided for its subsidiaries during the Reporting Period													
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period (B)								844,475,006.37					
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)													
Total amount of guarantees (A+B)								844,475,006.37					
Total amount of guarantees as a percentage of the Company's net assets (%)								5.13					
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)								344,475,006.37					

Total amount of guarantees in excess of 50% of net assets (E)	
Sum of the above three guarantees (C+D+E)	344,475,006.37
Description of outstanding guarantees which may incur several and joint liability	
Note on guarantees	During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB844 million, which were either provided by the Group for its subsidiaries or by them to their own subsidiaries. The balance of guarantee provided by Huangpu Wenchong for Wenchong Shipyard was RMB344 million, and the balance of guarantee provided by Wenchong Shipyard for Huangpu Wenchong was RMB500 million. The cap set out in the framework for the proposed guarantees between the Company and its subsidiaries for the year 2018 and their amounts 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 environment protection authorities of the PRC**

According to the Circular on the List of the Key Pollution Discharge Entities in Guangzhou for 2018 (Sui Huan [2018] No. 40) issued by Guangzhou Environmental Protection Bureau in March 2018, six members of the Group, namely the Company, GSI, Huangpu Wenchong, Longxue Pipe, Wenchong Shipyard and Huangchuan Ocean Engineering, were included as key pollution discharge entities in Guangzhou for 2018.

Special note: The Company is a holding company and its assets that were included in the list of pollution discharge entities prepared by Guangzhou Environmental Protection Bureau had been transferred to GSI in 2016 (for details, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 5 November 2015 and 29 December 2015). As such, the Company was no longer involved in the key pollution discharge entities. The Company will further communicate with and explain to Guangzhou Environmental Protection Bureau in the future.

#### **5.5.1.1 Information on pollution discharge**

##### **1. GSI**

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

##### **(1) Waste gas**

The waste gas generated by GSI mainly represents dust and organic waste gas. GSI has established waste gas treatment devices to ensure that the emission concentration of the air pollutant emitted reaches 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 GSI that exceeded the standard.

## (2) Waste water

The waste water generated by GSI 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 and the pipeline oil intermingling process. The domestic waste water is from the sewage generated at the production area and the office area. During the Reporting Period, GSI discharged a total of 220,206 tonnes of waste water, the water pollutant emission concentration of which has reached the level I, period II standard set out in the Emission Limits of Air Pollutants of Guangdong Province.

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

The solid waste generated by GSI is mainly classified into two types, being production solid waste and domestic refuse. GSI collects and separates the solid waste generated. Recyclable solid waste such as waste metal is utilised by waste material recycling companies, and non-recyclable solid waste is collected and disposed of by local environmental sanitation authorities. Qualified entities are appointed to treat hazardous waste. During the Reporting Period, GSI disposed of a total of 9,811 tonnes of solid waste.

## (4) Noise

The noise generated by GSI 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.

## **2. Longxue Pipe**

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

### (1) Waste gas

The waste gas generated by Longxue Pipe include dust gas, organic waste gas and acid mist gas, and the emission concentration of the air pollutant emitted met 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 Longxue Pipe that exceeded the standard.

## (2) Waste water

The waste water generated by Longxue Pipe includes zinc flushing waste water and acid and alkali flushing waste water, etc. During the Reporting Period, Longxue Pipe discharged a total of 6,088 tonnes of waste water, and the emission concentration of water pollutants met the level III, period II standard set out in the Emission Limits of Water Pollutants of Guangdong Province.

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

The solid waste generated by Longxue Pipe include hazardous waste (phosphate slag sludge etc.), general industrial solid waste and domestic refuse. Qualified entities are appointed to dispose of hazardous waste generated by it. During the Reporting Period, Longxue Pipe disposed of a total of 228.47 tonnes of solid waste.

## (4) Noise

The noise generated by Longxue Pipe represents mainly production noise. The noise at boundary met the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary.

### **3. 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 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, 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. During the Reporting Period, Huangpu Wenchong discharged a total of 79,798 tonnes of waste water, the water pollutant emission concentration of which has met the level III, period II standard set out in the Emission Limits of Water Pollutants of Guangdong Province.

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

The solid waste generated by Huangpu Wenchong is mainly divided into two categories, being production solid waste and domestic refuse, which are further divided into three types based on the characteristics of solid waste, namely recyclable solid waste, non-recyclable solid waste (industrial refuse) and hazardous waste.

Huangpu Wenchong collects and separates solid waste. Recyclable solid waste such as waste metal is utilised by waste material recycling companies, and non-recyclable solid waste (industrial refuse) is delivered to Guangzhou Shijie Environment Protection Equipment Co., Ltd. for transportation and disposal. Domestic refuse is delivered to the environmental sanitation authority of Changzhou Street, while Zhaoqing Xin Rong Chang Environmental Protection Co., Ltd., which is qualified, is appointed to dispose of hazardous waste. During the Reporting Period, 1,200 tonnes of solid waste (industrial refuse) and 7.5 tonnes of hazardous waste were disposed of.

### (4) Noise

The noise generated by Huangpu Wenchong represents mainly production noise and mechanical noise. The noise at boundary met the level II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary (GB12348-2008).

## **4. 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 its waste gas emissions met the standard.

#### (2) Waste water

The waste water generated by Wenchong Shipyard 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 and the pipeline oil intermingling process. The domestic waste water 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 133,079 tonnes of waste water.

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

The solid waste generated by Wenchong Shipyard include 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 2,365.44 tonnes of general industrial waste and 258.51 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 II standard set out in the Emission Standard for Industrial Enterprise Noise at Boundary (GB12348-2008).

### **5. 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, there existed no waste gas emissions of Huangchuan Ocean Engineering that exceeded the standard.

#### (2) Waste water

The waste water generated by Huangchuan Ocean Engineering 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 and the pipeline oil intermingling process. The domestic waste water is from the sewage generated at the production area and the office area. During the Reporting Period, Huangchuan Ocean Engineering discharged a total of 142,812 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 no standard had not been met.

#### (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 1,600 tonnes of industrial refuse and 55.44 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. No standard had not been met.

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

#### 1. GSI

GSI has established 26 sets of cyclone + filter cartridge dust collectors and 24 sets of sinking dust collectors for dust discharged, 10 sets of activated carbon adsorption + catalytic combustion

purification treatment devices for organic waste gas, and a domestic sewage treatment station and an oily wastewater treatment station for the waste water generated. 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. In addition, it conducts day-to-day operation inspection, repair and maintenance of pollutant treatment facilities for waste water, waste gas, solid waste and noise in strict compliance with the requirements of the Regulations on Prevention and Control of Environmental Pollution of GSI to ensure that the facilities operate normally and the pollutants are not discharged until treated and meeting the standard.

## 2. Longxue Pipe

Longxue Pipe has established water filter dust removers for zinc oxide dust discharged, activated carbon adsorption purification devices for organic waste gas, and acid mist towers and washing towers for acid mist waste gas, sewage treatment station for waste water, and establishes separate machine rooms and adopts noise reduction and other measures for high noise equipment. It conducts day-to-day operation inspection, repair and maintenance of pollutant treatment facilities for waste water, waste gas, solid waste and noise to ensure that the facilities operate normally and the pollutants are not discharged until treated and meeting the standard.

## 3. Huangpu Wenchong

Huangpu Wenchong has established 5 sets of cyclone + filter cartridge dust collectors for the 2-metre and 3-metre steel plate pre-treatment 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 pre-treatment 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. 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. In addition, it conducts day-to-day operation inspection, repair and maintenance of pollutant treatment facilities for waste water, waste gas, solid waste and noise in strict compliance with the requirements of the Environmental Protection Management Measures of Huangpu

Wenchong to ensure that the facilities operate normally and the pollutants are not discharged until treated and meeting the standard.

#### 4. Wenchong Shipyard

For waste gas emission, Wenchong Shipyard has established 5 sets of activated carbon adsorption + catalytic combustion desorption treatment devices and 7 sets of cyclone dust removal and filter cartridge dust collectors at the painting workshop and the steel plate pre-treatment workshop. For waste water emission, it completed the rain and sewage diversion project (for shipbuilding space), and production waste water and domestic waste water are directly discharged to the waste water treatment plant through municipal pipelines. For noise, it adopts measures including installing sound insulation and noise elimination facilities to reduce the impacts of production noise, and conducts day-to-day operation inspection, repair and maintenance of pollutant treatment facilities for waste water, waste gas, solid waste and noise to ensure that the facilities operate normally and the pollutants are not discharged until treated and meeting the standard.

#### 5. Huangchuan Ocean Engineering

Huangchuan Ocean Engineering has established a sewage treatment station to treat production waste water and domestic waste water, installed cyclone + filter cartridge dust collectors at the steel pre-treatment 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. GSI

GSI strictly complies with the requirements of the relevant environmental laws and regulations and conducts the “Three simultaneousness” work for the environmental protection for construction projects. On 11 January 2006, the former State Environmental Protection Administration issued a reply to the Environmental Impact Report on the Civil Product Shipbuilding Area Project of Phase I

of the CSSC Longxue Shipbuilding Base (Huan Shen [2006] No. 22), and the project passed the inspection and acceptance of the Ministry of Environmental Protection on 27 July 2010. The Nansha Environmental Protection Bureau of Guangzhou issued the Letter of Review Opinions for the Environment Report for the General Warehouse Technical Upgrade Project of Guangzhou Shipyard International Company Limited on 18 August 2015, and the project passed the inspection and acceptance of Nansha Environmental Protection and Water Affairs Bureau of Guangzhou on 29 December 2016. GSI has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

## 2. Longxue Pipe

Longxue Pipe strictly complies with the requirements of the relevant environmental laws and regulations and conducts the “Three simultaneousness” work for the environmental protection for construction projects. Nansha Environmental Protection Bureau of Guangzhou issued a reply to the Environmental Impact Report on the Phase I Construction Project of Guangzhou Longxue Pipe Co., Ltd. (Sui Nan Qu Huan Guan Huan Guan Ying [2010] No. 104) on 30 August 2010, and the project passed the inspection and acceptance of Nansha Environmental Protection Bureau of Guangzhou in 2012. Longxue Pipe has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

## 3. Huangpu Wenchong

The construction of the environmental protection facilities of the general technical upgrade project of Huangpu Wenchong was substantially completed. Currently the environmental acceptance report has been prepared and it is in the process of applying for on-site inspection and acceptance for environmental protection in accordance with the procedures. Huangpu Wenchong has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

## 4. Wenchong Shipyard

Wenchong Shipyard has obtained the pollutant discharge permit in accordance with the requirements of environmental protection laws and regulations.

## 5. 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 newly-built Longxue Gas Cylinder Transfer Station (Sui Nan Qu Huan Shui Guan Ying (2017) No. 93) was obtained, and the inspection and acceptance report is being prepared. 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.

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

#### 1. GSI and Longxue Pipe

Both GSI and Longxue Pipe have prepared the Emergency Plan for Sudden Environmental Events in accordance with the relevant requirements for safety and environmental protection in the PRC, which were filed with the environmental protection authorities in the first half of 2017.

Both GSI and Longxue Pipe have established an emergency rescue leading team and an emergency rescue professional team. The emergency plan sets out clear emergency response procedures, the position responsibilities of emergency personnel and the emergency response measures for various environmental risks in day-to-day operation (such as safety training, fire drills and material support).

#### 2. Huangpu Wenchong

The emergency plan for sudden environmental events developed by Huangpu Wenchong passed expert review and was filed with Huangpu Environmental Protection Bureau in 2015. A retrospective review will be conducted in the second half of 2018 to assess its applicability and effectiveness.

Huangpu Wenchong has established an emergency rescue leading team and an emergency rescue professional team. The emergency plan sets out clear emergency response procedures, the position responsibilities of emergency personnel and the emergency response measures for various

environmental risks in day-to-day operation (such as safety training, fire drills and material support).

### 3. Wenchong Shipyard

The Emergency Plan for Sudden Environmental Events and the Risk Assessment Report for Sudden Environmental Events developed by Wenchong Shipyard passed expert review and was filed with Huangpu Environmental Protection Bureau in 2016. A further review will be conducted in the second half of 2018 to assess its applicability and effectiveness and it will be re-filed.

### 4. 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 2014. Another review was conducted in later 2016 to re-assess its applicability and effectiveness, and it was re-filed with Nansha Environmental Protection and Water Affairs Bureau in January 2017.

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

The Group's key pollutant discharge entities appoint qualified testing institutions on a regular basis to monitor the discharge of pollutants including waste water, waste gas, noise and radiation as well as 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 2018, the Company had a total of bank deposits amounting to RMB2,206 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 2018, the Group's gearing ratio (total liabilities/total assets x 100%) was 63.36% (as at the beginning of the Reporting Period: 73.32%), mainly due to the implementation of conversion of

debts into equity of subsidiaries.

### **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 Board

### **6.1 Corporate Governance**

The Company kept 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 2018, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 and Mr. Xiang Huiming, being executive Directors, Mr. Yang Li and Mr. Wang Guozhong, being non-executive Directors, and Mr. Song



Dejin and Mr. Zhu Mingyou, being independent non-executive Directors, were unable to attend the first extraordinary general meeting of 2018 of the Company held on 12 February 2018 for work reason, and Mr. Chen Zhongqian, Mr. Xiang Huiming and Mr. Chen Ji, being executive Directors, Mr. Yang Li, 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 2017 of the Company held on 29 May 2018 for work reason.

## **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 nine meetings (including six meetings held in writing) were held by the Board. All Directors attended these meetings (including attendance by proxy). In addition, the Audit Committee held five meetings to consider issues including the annual report of the Company for the year 2017, the report on the internal control review and the first quarterly report for the year 2018; the Emolument and Examination Committee held two meetings to consider the resolutions on the election of chairman of the Emolument and Examination Committee under the ninth session of the Board and the remuneration of the Directors, Supervisors and senior management of the Company for the year 2017; the Nomination Committee held one meeting to consider the resolutions on the election of chairman of the Nomination Committee under the ninth session of the Board and the nomination of management under the ninth session of the Board and securities representative of the

Company. 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 Board.

## **§7 SIGNIFICANT ASSET RESTRUCTURING**

During the Reporting Period, Group was not involved in any significant asset restructuring.

**§8 FINANCIAL STATEMENTS PREPARED UNDER THE ACCOUNTING STANDARDS OF THE PRC**

(Amounts denominated in Renminbi unless otherwise specified)

**Consolidated Balance Sheet**

30 June 2018

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

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current assets:</b>		
Cash at bank and on hand	9,572,863,937.77	12,005,275,747.16
Financial assets held-for-trading	11,802,666.85	6,602,255.91
Derivative financial assets	-	-
Notes and accounts receivable	1,833,938,194.21	1,698,395,336.48
Prepayments	3,318,755,708.93	2,475,182,224.91
Other receivables	229,427,780.16	175,810,822.91
Inventories	4,856,808,423.16	4,575,452,811.14
Contract assets	7,552,622,037.90	6,312,042,836.23
Assets held for sale	-	-
Non-current assets due within one year	361,669,828.88	1,033,143,116.08
Other current assets	1,529,569,724.95	1,841,255,454.38
<b>Total current assets</b>	<b>29,267,458,302.81</b>	<b>30,123,160,605.20</b>
<b>Non-current assets:</b>		
Debt investments	-	-
Other debt investments	-	-
Long-term receivables	1,558,548,222.38	460,059,537.09
Long-term equity investments	765,206,367.49	738,018,660.57
Investments in other equity instruments	42,131,036.85	44,726,104.08
Other non-current financial assets	70,000,000.00	-
Investment properties	21,937,007.60	22,251,363.68
Fixed assets	10,166,245,701.86	10,146,511,828.81
Construction in progress	692,815,884.33	635,119,267.47
Productive biological assets	-	-
Oil and gas assets	-	-
Intangible assets	1,859,649,401.42	1,884,667,938.27
Development expenses	-	-
Goodwill	-	-
Long-term prepaid expenses	14,115,824.00	14,954,894.47
Deferred tax assets	488,453,258.49	460,463,049.07
Other non-current assets	2,894,563.48	199,020,072.23
<b>Total non-current assets</b>	<b>15,681,997,267.90</b>	<b>14,605,792,715.74</b>
<b>Total assets</b>	<b>44,949,455,570.71</b>	<b>44,728,953,320.94</b>

Legal representative: Han Guangde  
accounting department: Xie Weihong

Person in charge of accounting: Hou Zengquan

Head of

## Consolidated Balance Sheet (Continued)

30 June 2018

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

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current liabilities:</b>		
Short-term borrowings	2,837,805,756.37	2,675,414,975.00
Held-for-trading financial liabilities	229,986,995.23	3,366,294.31
Derivative financial liabilities	-	-
Notes and accounts payable	9,158,693,638.00	9,428,521,834.28
Advances from customers	-	-
Contract liabilities	7,301,711,985.26	6,420,311,531.98
Employee benefits payable	37,885,183.11	32,198,622.63
Taxes payable	55,612,691.53	72,479,741.43
Other payables	204,177,505.44	247,686,095.31
Liabilities held for sale	-	-
Non-current liabilities due within one year	3,127,000,000.00	4,482,400,000.00
Other current liabilities	49,189,633.07	137,250,591.28
<b>Total current liabilities</b>	<b>23,002,063,388.01</b>	<b>23,499,629,686.22</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	4,450,757,000.00	8,142,857,000.00
Bonds payable	-	-
Including: Preference shares	-	-
Perpetual bonds	-	-
Long-term payables	348,175,330.11	363,119,760.23
Estimated liabilities	584,210,271.77	748,580,586.38
Deferred income	86,947,154.63	31,895,704.27
Deferred tax liabilities	8,720,366.65	7,408,073.82
Other non-current liabilities	-	-
<b>Total non-current liabilities</b>	<b>5,478,810,123.16</b>	<b>9,293,861,124.70</b>
<b>Total liabilities</b>	<b>28,480,873,511.17</b>	<b>32,793,490,810.92</b>
<b>Owners' equity:</b>		
Share capital	1,413,506,378.00	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	8,060,590,421.75	6,868,230,515.41
Less: Treasury shares		
Other comprehensive income	-31,397,234.50	-42,591,397.17
Special reserve	1,584,498.11	2,010,677.96
Surplus reserve	962,441,825.31	962,441,825.31
Provision for general risks		
Undistributed profit	905,443,126.50	1,200,265,300.93
<b>Total equity attributable to shareholders of the Company</b>	<b>11,312,169,015.17</b>	<b>10,403,863,300.44</b>

Item	Ending balance	Beginning balance
Minority interests	5,156,413,044.37	1,531,599,209.58
<b>Total equity</b>	16,468,582,059.54	11,935,462,510.02
<b>Total liabilities and equity</b>	44,949,455,570.71	44,728,953,320.94

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

## Balance Sheet of the Company

30 June 2018

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

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current assets:</b>		
Cash at bank and on hand	91,690,265.56	513,258,307.19
Financial assets held-for-trading	-	-
Derivative financial assets	-	-
Notes and accounts receivable	42,012,102.84	34,915,043.87
Prepayments	3,816,922.11	1,861,905.00
Other receivables	16,307,061.98	9,532,248.57
Inventories	124,287,912.30	131,196,488.58
Contract assets	-	-
Assets held for sale	-	-
Non-current assets due within one year	159,000,000.00	650,000,000.00
Other current assets	381,806,415.98	282,058,591.92
<b>Total current assets</b>	<b>818,920,680.77</b>	<b>1,622,822,585.13</b>
<b>Non-current assets:</b>		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	7,928,505,672.09	7,902,205,154.63
Investments in other equity instruments		
Other non-current financial assets		
Investment properties		
Fixed assets	73,757,046.29	76,780,630.19
Construction in progress	790,366.14	
Productive biological assets		
Oil and gas assets		
Intangible assets	10,630,378.32	10,792,029.90
Development expenses		
Goodwill		
Long-term prepaid expenses		2,344.24
Deferred tax assets	20,000,000.00	20,000,000.00
Other non-current assets	302,894,563.48	2,776,042.97
<b>Total non-current assets</b>	<b>8,336,578,026.32</b>	<b>8,012,556,201.93</b>
<b>Total assets</b>	<b>9,155,498,707.09</b>	<b>9,635,378,787.06</b>

Legal representative: Han Guangde  
accounting department: Xie Weihong

Person in charge of accounting: Hou Zengquan

Head of

## Balance Sheet of the Company (Continued)

30 June 2018

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

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current liabilities:</b>		
Short-term borrowings	100,000,000.00	100,000,000.00
Financial liabilities held-for-trading		
Derivative financial liabilities		
Notes and accounts payable	60,027,673.79	65,977,190.78
Advances from customers		
Contract liabilities	82,183,343.08	55,310,128.61
Employee benefits payable		1,611,226.23
Taxes payable	2,008,586.26	4,115,201.43
Other payables	37,807,521.82	30,599,065.08
Liabilities held for sale		
Non-current liabilities due within one year	9,000,000.00	500,000,000.00
Other current liabilities		
<b>Total current liabilities</b>	291,027,124.95	757,612,812.13
<b>Non-current liabilities:</b>		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables	99,370,000.00	99,370,000.00
Estimated liabilities		
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>	99,370,000.00	99,370,000.00
<b>Total liabilities</b>	390,397,124.95	856,982,812.13
<b>Owners' equity:</b>		
Share capital	1,413,506,378.00	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	6,147,927,729.10	6,147,927,729.10
Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	472,670,941.45	472,670,941.45
Undistributed profit	730,996,533.59	744,290,926.38
<b>Total equity</b>	8,765,101,582.14	8,778,395,974.93
<b>Total liabilities and equity</b>	9,155,498,707.09	9,635,378,787.06

Legal representative: Han Guangde  
accounting department: Xie Weihong

Person in charge of accounting: Hou Zengquan

Head of

## Consolidated Income Statement

From January to June 2018

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

Unit: RMB

Item	Current period	Corresponding period of last year
<b>I. Operating income</b>	8,219,935,619.41	10,417,531,197.45
Less: Operating costs	8,139,908,389.00	9,569,573,977.38
Taxes and surcharges	36,139,172.19	34,472,271.94
Selling expenses	27,945,686.04	82,600,434.36
Administrative expenses	359,944,871.91	376,333,475.94
Research and development expenses	183,184,126.04	147,018,458.15
Finance cost	63,129,150.76	198,463,829.73
Including: Interest expenses	137,501,934.99	190,480,197.43
Interest income	106,540,470.69	113,527,866.70
Loss on impairment of assets	80,048,917.97	18,310,217.17
Credit impairment loss	11,086,333.77	-4,003,144.53
Add: Other income	5,142,870.30	20,209,210.99
Investment income (loss expressed with “-”)	20,435,829.95	26,917,017.63
Including: Income from investment in associates and joint ventures	-4,676,326.34	310,227.63
Net gain on exposure hedging (loss expressed with “-”)	-	-
Gain on change in fair value (loss expressed with “-”)	-221,420,289.98	-655,224.92
Gain on disposal of assets (loss expressed with “-”)	-	-
<b>III. Operating profit (loss expressed with “-”)</b>	-877,292,618.00	41,232,681.01
Add: Non-operating income	564,253,482.08	22,812,890.90
Less: Non-operating expenses	57,365,100.00	977,913.09
<b>IV. Total profit (loss expressed with “-”)</b>	-370,404,235.92	63,067,658.82
Less: Income tax expense	-32,894,664.43	11,111,662.08
<b>V. Net profit (net loss expressed with “-”)</b>	-337,509,571.49	51,955,996.74
<b>(i) By continuity of operations</b>		
1. Net profit from continuing operations (net loss expressed with “-”)	-337,509,571.49	51,955,996.74
2. Net profit from discontinued operations (net loss expressed with “-”)		
<b>(ii) By ownership</b>		
1. Net profit attributable to shareholders of the Company	-294,982,112.04	43,972,225.89
2. Gain or loss attributable to minority interests	-42,527,459.45	7,983,770.85
<b>VI. Net other comprehensive income after tax</b>	-2,300,574.80	213,038.28
Net other comprehensive income after tax attributable to owners of the Company	-4,018,109.53	213,038.28
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss	-2,271,924.51	213,038.28
1. Change in remeasurement of defined benefit plans		
2. Share of other comprehensive income of investees that may not be subsequently reclassified to profit and loss under equity method		
3. Change in fair value of investments in other equity instruments	-2,271,924.51	213,038.28



Item	Current period	Corresponding period of last year
4. Change in fair value of own credit risk		
(ii) Other comprehensive income that will be subsequently reclassified to profit or loss	-1,746,185.02	-
1. Other comprehensive income that may be reclassified to profit or loss under equity method	-120,904.30	-
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 flows hedging reserve		-
6. Exchange differences arising from translation of foreign currency financial statements	-1,625,280.72	-
Net other comprehensive income after tax attributable to minority interests	1,717,534.73	
<b>VII. Total comprehensive income</b>	-339,810,146.29	52,169,035.02
Total comprehensive income attributable to owners of the Company	-299,000,221.57	44,185,264.17
Total comprehensive income attributable to minority interests	-40,809,924.72	7,983,770.85
<b>VIII. Earnings per share:</b>		—
(i) Basic earnings per share	-0.2087	0.0311
(ii) Diluted earnings per share	-0.2087	0.0311

Legal representative: Han Guangde  
accounting department: Xie Weihong

Person in charge of accounting: Hou Zengquan

Head of

## Income Statement of the Company

From January to June 2018

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

Unit: RMB

Item	Current period	Corresponding period of last year
<b>I. Operating income</b>	82,239,576.72	66,553,456.71
Less: Operating costs	91,645,798.74	63,904,733.06
Taxes and surcharges	851,127.95	1,254,364.46
Selling expenses	2,434,118.29	1,911,015.90
Administrative expenses	8,623,652.56	7,091,310.02
Research and development expenses		
Finance cost	-11,803,521.19	-1,554,849.01
Including: Interest expenses	2,282,026.39	6,940,326.41
Interest income	14,887,597.24	7,449,193.41
Loss on impairment of assets	-	-1,476,625.60
Credit impairment loss	52,178.31	-113,654.13
Add: Other income	-	8,123,700.00
Investment income (loss expressed with “-”)	-3,699,482.54	29,280,048.42
Including: Income from investment in associates and joint ventures	-3,699,482.54	-
Net gain on exposure hedging (loss expressed with “-”)		
Gain on change in fair value (loss expressed with “-”)		
Gain on disposal of assets (loss expressed with “-”)		
<b>III. Operating profit (loss expressed with “-”)</b>	-13,263,260.48	32,940,910.43
Add: Non-operating income	-	1,411,197.30
Less: Non-operating expenses	31,132.31	10.70
<b>IV. Total profit (loss expressed with “-”)</b>	-13,294,392.79	34,352,097.03
Less: Income tax expense	-	-
<b>V. Net profit (net loss expressed with “-”)</b>	-13,294,392.79	34,352,097.03
(i) Net profit from continuing operations (net loss expressed with “-”)	-13,294,392.79	34,352,097.03
(ii) Net profit from discontinued operations (net loss expressed with “-”)		
<b>VI. Net other comprehensive income after tax</b>		
Net other comprehensive income after tax attributable to owners of the Company		
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss		
1. Change in remeasurement of defined benefit plans		
2. Share of other comprehensive income of investees that may not be subsequently reclassified to profit and loss under equity method		
3. Change in fair value of investments in other equity instruments		
4. Change in fair value of own credit risk		
(ii) Other comprehensive income that will be subsequently reclassified to profit or loss		
1. Other comprehensive income that may be reclassified to profit or loss under equity method		

Item	Current period	Corresponding period of last year
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 flows hedging reserve		
6. Exchange differences arising from translation of foreign currency financial statements		
Net other comprehensive income after tax attributable to minority interests		
<b>VII. Total comprehensive income</b>	-13,294,392.79	34,352,097.03
<b>VIII. Earnings per share:</b>		—
(i) Basic earnings per share		
(ii) Diluted earnings per share		

Legal representative: Han Guangde  
accounting department: Xie Weihong

Person in charge of accounting: Hou Zengquan

Head of

## Consolidated Cash Flow Statement

From January to June 2018

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

Unit: RMB

Item	Current period	Corresponding period of last year
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods or rendering of services	7,179,383,806.85	7,271,887,341.46
Cash received from tax refund	699,116,247.12	402,960,347.59
Other cash receipts relating to operating activities	297,773,715.32	254,225,574.85
<b>Sub-total of cash inflows from operating activities</b>	<b>8,176,273,769.29</b>	<b>7,929,073,263.90</b>
Cash paid for goods and services	9,114,882,456.44	10,111,095,161.94
Cash paid to and on behalf of employees	873,232,934.42	970,897,488.59
Payments of taxes	71,080,292.88	137,822,452.34
Other cash payments relating to operating activities	640,884,034.88	481,526,701.54
<b>Sub-total of cash outflows from operating activities</b>	<b>10,700,079,718.62</b>	<b>11,701,341,804.41</b>
<b>Net cash flow from operating activities</b>	<b>-2,523,805,949.33</b>	<b>-3,772,268,540.51</b>
<b>II. Cash flows from investing activities:</b>		
Cash receipts from disposal of investments	701,000,000.00	301,875,000.00
Cash receipts from investment income	19,089,809.90	37,947,951.72
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	382,308.97	1,253,405.36
Net cash received from disposal of subsidiaries and other business units	60,448.29	-
Other cash receipts relating to investing activities	515,870,456.93	847,591,065.74
<b>Sub-total of cash inflows from investing activities</b>	<b>1,236,403,024.09</b>	<b>1,188,667,422.82</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	334,832,336.66	306,994,349.87
Cash paid for investments	37,001,000.00	-
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	2,192,563,721.90	154,390,247.43
<b>Sub-total of cash outflows from investing activities</b>	<b>2,564,397,058.56</b>	<b>461,384,597.30</b>
<b>Net cash flow from investing activities</b>	<b>-1,327,994,034.47</b>	<b>727,282,825.52</b>
<b>III. Cash flows from financing activities:</b>		
Cash receipts from receiving investments	4,800,000,000.00	
Including: Cash received by subsidiaries from receiving investments made by minority interests	4,800,000,000.00	
Cash receipts from borrowings obtained	3,033,008,500.00	5,018,453,847.68
Other cash receipts relating to financing activities	77,500,000.00	105,240,000.00
<b>Sub-total of cash inflows from financing activities</b>	<b>7,910,508,500.00</b>	<b>5,123,693,847.68</b>
Cash paid for repayment of debts	7,960,650,316.47	5,152,275,425.40
Cash paid for dividends, profit distribution or interest expenses	156,481,055.51	199,630,423.87
Including: Dividends and profits paid by subsidiaries to minority interests	61,526.88	-
Other cash payments relating to financing activities		75,000.00
<b>Sub-total of cash outflows from financing activities</b>	<b>8,117,131,371.98</b>	<b>5,351,980,849.27</b>
<b>Net cash flow from financing activities</b>	<b>-206,622,871.98</b>	<b>-228,287,001.59</b>
<b>IV. Effect of change in foreign exchange rate on cash</b>	<b>-5,749,219.44</b>	<b>-30,843,334.36</b>

Item	Current period	Corresponding period of last year
<b>and cash equivalents</b>		
<b>V. Net increase in cash and cash equivalents</b>	-4,064,172,075.22	-3,304,116,050.94
Add: Beginning balance of cash and cash equivalents	11,430,546,720.41	9,885,435,368.48
<b>VI. Ending balance of cash and cash equivalents</b>	7,366,374,645.19	6,581,319,317.54

Legal representative: Han Guangde

Person in charge of accounting: Hou Zengquan

Head of accounting department: Xie Weihong

## Cash Flow Statement of the Company

From January to June 2018

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

Unit: RMB

Item	Current period	Corresponding period of last year
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods or rendering of services	111,009,558.75	93,354,275.36
Cash received from tax refund	-	-
Other cash receipts relating to operating activities	8,983,184.27	16,330,002.90
<b>Sub-total of cash inflows from operating activities</b>	<b>119,992,743.02</b>	<b>109,684,278.26</b>
Cash paid for goods and services	86,368,622.84	95,216,606.45
Cash paid to and on behalf of employees	13,733,025.10	16,936,130.29
Payments of taxes	2,153,426.93	4,906,016.86
Other cash payments relating to operating activities	19,464,265.64	16,645,625.02
<b>Sub-total of cash outflows from operating activities</b>	<b>121,719,340.51</b>	<b>133,704,378.62</b>
<b>Net cash flow from operating activities</b>	<b>-1,726,597.49</b>	<b>-24,020,100.36</b>
<b>II. Cash flows from investing activities:</b>		
Cash receipts from disposal of investments		
Cash receipts from investment income		29,280,048.42
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities	505,019,623.61	507,073,937.51
<b>Sub-total of cash inflows from investing activities</b>	<b>505,019,623.61</b>	<b>536,353,985.93</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	570,972.49	27,791.80
Cash paid for investments	30,000,000.00	-
Net cash paid for acquisition of subsidiaries and other business units	-	-
Other cash payments relating to investing activities	400,000,000.00	300,000,000.00
<b>Sub-total of cash outflows from investing activities</b>	<b>430,570,972.49</b>	<b>300,027,791.80</b>
<b>Net cash flow from investing activities</b>	<b>74,448,651.12</b>	<b>236,326,194.13</b>
<b>III. Cash flows from financing activities:</b>		
Cash receipts from receiving investments	-	-
Including: Cash received by subsidiaries from receiving investments made by minority interests		
Cash receipts from borrowings obtained	-	300,000,000.00
Other cash receipts relating to financing activities	-	-
<b>Sub-total of cash inflows from financing activities</b>	<b>-</b>	<b>300,000,000.00</b>
Cash paid for repayment of debts	491,000,000.00	500,000,000.00
Cash paid for dividends, profit distribution or interest expenses	2,642,689.99	7,280,361.36
Other cash payments relating to financing activities		
<b>Sub-total of cash outflows from financing activities</b>	<b>493,642,689.99</b>	<b>507,280,361.36</b>
<b>Net cash flow from financing activities</b>	<b>-493,642,689.99</b>	<b>-207,280,361.36</b>
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>-647,405.27</b>	<b>-528,786.42</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>-421,568,041.63</b>	<b>4,496,945.99</b>
Add: Beginning balance of cash and cash equivalents	513,258,307.19	88,028,234.52
<b>VI. Ending balance of cash and cash equivalents</b>	<b>91,690,265.56</b>	<b>92,525,180.51</b>

Legal representative: Han Guangde

Person in charge of accounting: Hou Zengquan

Head of accounting department: Xie Weihong

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

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

#### **(1) Basis of 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 as described in “IV Significant Accounting Policies and Estimation” to this note.

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

The management of the Company has assessed its ability to operate on a continuing basis for the 12 months from 30 June 2018 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 Company and the Group. Changes in significant accounting policies during the period:

#### **1) Details of and reason for changes**

The Ministry of Finance of the PRC issued the following amendments to and interpretations of the Accounting Standards for Business Enterprises in 2017 and 2018:

(i) Accounting Standard for Business Enterprises No. 14 – Revenue (Amendment) (the “New Revenue Standard”)

(ii) Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Amendment), Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets (Amendment), Accounting Standard for Business Enterprises No. 24 – Hedging Accounting (Amendment), and Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (Amendment) (collectively, the “New Standards for Financial Instruments”)

(iii) Circular on the Format of Financial Statements of General Enterprises for 2018 (Cai Kuai [2018] No. 15)

The Group has adopted the aforesaid amendments to and interpretations of the Accounting Standards for Business Enterprises with effect from 1 January 2018 and has adjusted its relevant accounting policies.

2) Principal impacts of changes

(i) New Revenue Standard

The New Revenue Standard replaces the Accounting Standard for Business Enterprises No. 14 – Revenue and the Accounting Standard for Business Enterprises No. 15 – Construction Contracts (collectively, the “Previous Revenue Standards”) issued by the Ministry of Finance of the PRC in 2006.

Under the Previous Revenue Standards, the Group provides shipbuilding services, offshore engineering products and large-scale steel structure products, of which revenue and costs were recognised in accordance with the requirements of the Accounting Standard for Business Enterprises No. 15 – Construction Contracts. When the outcome of a construction contract can be estimated reliably at the balance sheet date, contract related economic benefits could probably flow into the Group, the actual contract costs incurred can be clearly distinguished and measured in a reliable way, the percentage of completion and estimated future costs could be reliably measured, contract revenue and contract expenses will be recognised by using the percentage of completion method. The revenue and costs of electromechanical products and other steel structure products are recognised in accordance with the requirements for sale of goods, and the point of time of revenue recognition is determined based on the transfer time of risks and rewards.

Under the New Revenue Standard, the Group’s principles for recognition and methods of measurement of revenue upon the changes are as follows: the Group shall assess the contract, at the date when the contract is entered into, of which each of performance obligations should be identified, make sure whether the performance obligation is to be fulfilled within a period of time or at a particular point of time, and subsequently confirm the revenue accordingly upon the complete fulfilment of each of the performance obligations. For the performance obligations to be fulfilled at a point in time, the Group recognises revenue at contractual price when the customer has obtained the control over the relevant goods. For the performance obligations to be fulfilled within a period of time, the Group recognises revenue based on the performance progress during such period. The Group adopts the input method to determine the appropriate progress of performance, i.e. the percentage of completion, which is the percentage of the total actual contract cost incurred to the total estimated contract cost. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated is recognised as revenue until the performance progress can be reasonably determined.



In accordance with the requirements of the New Revenue Standard, the Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance of obligations and the payment by customers.

The Group reviews the sources of revenue and the performance of obligations by customers through assessing the impacts of the New Revenue Standard on its financial statements. The Group's revenue is mainly from shipbuilding and offshore engineering products. Based on the assessment of contracts with customers, most of the shipbuilding and offshore engineering products meet the condition to "performance within a period of time", and their venue continue to be recognised based on the performance progress. A small portion of shipbuilding and offshore engineering products does not meet the condition to "performance within a period of time", and the Group changed this portion to performance at a particular point of time. In accordance with the transitional provisions of the New Revenue Standard, the accumulated impact of the first time adoption of the New Revenue Standard was that undistributed profit as at the beginning of 2018 decreased by RMB28,415,790.16, without adjusting comparative period figures.

The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Items	1 January 2018 (Consolidated)		
	Before adjustment	Adjustment under the New Revenue Standard	After adjustment
Total assets	44,157,662,027.63	547,559,351.05	44,705,221,378.68
Including: Inventories	10,339,936,296.32	-5,764,483,485.18	4,575,452,811.14
Contract assets		6,312,042,836.23	6,312,042,836.23
Total liabilities	32,211,520,159.51	575,975,141.21	32,787,495,300.72
Including: Advances from customers	650,869,010.03	-650,869,010.03	
Contract liabilities		6,420,311,531.98	6,420,311,531.98
Other current liabilities	5,544,483,602.13	-5,407,233,010.85	137,250,591.28
Estimated liabilities	534,814,956.27	213,765,630.11	748,580,586.38
Total owners' equity	11,946,141,868.12	-28,415,790.16	11,917,726,077.96
Including: Undistributed profit	1,228,681,091.09	-28,415,790.16	1,200,265,300.93

The impacts on the relevant items in the financial statements of the Company are as follows (Unit: RMB):

Items	1 January 2018 (the Company)		
	Before adjustment	Adjustment under the New Revenue Standard	After adjustment
Total liabilities	856,982,812.13		856,982,812.13

Items	1 January 2018 (the Company)		
	Before adjustment	Adjustment under the New Revenue Standard	After adjustment
Including: Advances from customers	55,310,128.61	-55,310,128.61	
Contract liabilities		55,310,128.61	55,310,128.61

(ii) New Standards for Financial Instruments

The New Standards for Financial Instruments revised the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets, and the Accounting Standard for Business Enterprises No. 24 – Hedging Accounting issued by the Ministry of Finance of the PRC in 2006, as well as the Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments amended by the Ministry of Finance of the PRC in 2014 (collectively, the “Previous Standards for Financial Instruments”).

The New Standards for Financial Instruments have financial assets divided into three types: (1) financial assets measured at amortised cost; (2) financial assets measured at fair value and changes included in other comprehensive income; and (3) financial assets measured at fair value and changes recorded into current period profit or loss. Under the New Standards for Financial Instruments, the classification of financial assets is determined based on the business model under which the Group manages financial assets and the characteristics of contractual cash flows of the assets. The New Standards for Financial Instruments removed the classification of loans and receivables, held-to-maturity investments and available-for-sale financial assets under the Previous Standards for Financial Instruments.

The New Standards for Financial Instruments replaced the “incurred loss” model under the Previous Standards for Financial Instruments with the “expected credit loss” model. The “expected credit loss” model requires continuous assessment of credit risks of financial assets.

In accordance with the requirements of the New Standards for Financial Instruments, the Group designates investments in equity instruments not held-for-trading as financial assets measured at fair value and changes included in other comprehensive income and makes retrospective adjustments. Based on the difference between the carrying value of financial instruments previously reported and the new carrying value of financial instruments at the date of adoption of the New Standards for Financial Instruments, being 1 January 2018, the Group increased other comprehensive income as at the beginning of 2018 by RMB17,736,432.06, without adjusting comparative financial statement figures.

The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Items	1 January 2018 (Consolidated)
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	Before adjustment	Adjustment under the New Standards for Financial Instruments	After adjustment
Total assets	44,157,662,027.63	23,731,942.26	44,181,393,969.89
Including: Available-for-sale financial assets	21,029,995.04	-21,029,995.04	
Investments in other equity instruments		44,726,104.08	44,726,104.08
Deferred tax assets	460,427,215.85	35,833.22	460,463,049.07
Total liabilities	32,211,520,159.51	5,995,510.20	32,217,515,669.71
Including: Deferred tax liabilities	1,412,563.62	5,995,510.20	7,408,073.82
Total owners' equity	11,946,141,868.12	17,736,432.06	11,963,878,300.18
Including: Other comprehensive income	-60,327,829.23	17,736,432.06	-42,591,397.17

There were no impacts on the items in the financial statements of the Company.

(iii) Presentation of financial Statements

The Group has prepared its interim financial statements for the first half of 2018 in accordance with the format of financial statements set out in Cai Kuai [2018] No. 15 and has changed the presentation of the relevant financial statements using retrospective adjustment method.

The impacts on the relevant items in the consolidated financial statements are as follows (Unit: RMB):

Affected items in the consolidated balance sheet	31 December 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Total assets	44,157,662,027.63		44,157,662,027.63
Including: Notes receivable	157,166,528.30	-157,166,528.30	
Accounts receivable	1,541,228,808.18	-1,541,228,808.18	
Notes and accounts receivable		1,698,395,336.48	1,698,395,336.48
Interest receivable	46,434,534.12	-46,434,534.12	
Other receivables	129,376,288.79	46,434,534.12	175,810,822.91
Fixed assets	10,146,480,696.50	31,132.31	10,146,511,828.81
Disposal of fixed assets	31,132.31	-31,132.31	
Total liabilities	32,211,520,159.51		32,211,520,159.51
Including: Notes payable	1,772,284,568.59	-1,772,284,568.59	
Accounts payable	7,656,237,265.69	-7,656,237,265.69	
Notes and accounts payable		9,428,521,834.28	9,428,521,834.28
Interest payable	13,010,817.17	-13,010,817.17	
Dividends payable	383,540.92	-383,540.92	
Other payables	234,291,737.22	13,394,358.09	247,686,095.31

Long-term payables		363,119,760.23	363,119,760.23
Long-term employee benefits payable	263,749,760.23	-263,749,760.23	
Special payables	99,370,000.00	-99,370,000.00	
<b>Affected items in the consolidated income statement</b>	<b>From January to June 2017</b>		
	<b>Before adjustment</b>	<b>Presentation and reclassification</b>	<b>After adjustment</b>
Administrative expenses	523,351,934.09	-147,018,458.15	376,333,475.94
Research and development expenses		147,018,458.15	147,018,458.15
Loss on impairment of assets	14,307,072.64	4,003,144.53	18,310,217.17
Credit impairment loss		-4,003,144.53	-4,003,144.53
Net profit	51,955,996.74		51,955,996.74
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss 3. Change in fair value of investments in other equity instruments		213,038.28	213,038.28
(ii) Other comprehensive income that will be subsequently reclassified into profit or loss 2. Gain or loss on change in fair value of available-for-sale financial assets	213,038.28	-213,038.28	
Other comprehensive income after tax, net	213,038.28		213,038.28

The impacts on the relevant items in the financial statements of the Company are as follows (Unit: RMB):

<b>Affected items in the balance sheet of the Company</b>	<b>31 December 2017</b>		
	<b>Before adjustment</b>	<b>Presentation and reclassification</b>	<b>After adjustment</b>
Total assets	9,635,378,787.06		9,635,378,787.06
Including: Notes receivable	100,000.00	-100,000.00	
Accounts receivable	34,815,043.87	-34,815,043.87	
Notes and accounts receivable		34,915,043.87	34,915,043.87
Interest receivable	403,909.69	-403,909.69	
Other receivables	9,128,338.88	403,909.69	9,532,248.57
Fixed assets	76,749,497.88	31,132.31	76,780,630.19
Disposal of fixed assets	31,132.31	-31,132.31	
Total liabilities	856,982,812.13		856,982,812.13
Including: Accounts payable	65,977,190.78	-65,977,190.78	
Notes and accounts payable		65,977,190.78	65,977,190.78
Interest payable	339,166.67	-339,166.67	
Dividends payable	383,540.92	-383,540.92	
Other payables	29,876,357.49	722,707.59	30,599,065.08

Long-term payables		99,370,000.00	99,370,000.00
Special payables	99,370,000.00	-99,370,000.00	
<b>Affected items in the income statement of the Company</b>	<b>From January to June 2017</b>		
	<b>Before adjustment</b>	<b>Presentation and reclassification</b>	<b>After adjustment</b>
Loss on impairment of assets	-1,590,279.73	113,654.13	-1,476,625.60
Credit impairment loss		-113,654.13	-113,654.13
Net profit	34,352,097.03		34,352,097.03

### 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 2018; and “Ending balance” refers to the balance as at 30 June 2018. “Current period” refers to the period from 1 January 2018 to 30 June 2018; and “Corresponding period of last year” refers to the period from 1 January 2017 to 30 June 2017. The currency unit is RMB.

#### 1. Notes and accounts receivable

Item	No.	Ending balance	Beginning balance
Notes receivable	(1)	93,675,029.49	157,166,528.30
Accounts receivable	(2)	1,740,263,164.72	1,541,228,808.18
<b>Total</b>		<b>1,833,938,194.21</b>	<b>1,698,395,336.48</b>

##### (i) Notes receivable

##### 1) Types of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	62,435,403.49	47,007,128.30
Commercial acceptance bills	31,239,626.00	110,159,400.00
<b>Total</b>	<b>93,675,029.49</b>	<b>157,166,528.30</b>

Among the above notes receivable of the Group, RMB86,860,169.49 had an ageing of less than 180 days, and RMB6,814,830.00 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	29,988,105.80	
<b>Total</b>	<b>29,988,105.80</b>	

- 4) Notes transferred to accounts receivable at the end of period due to non-performance of drawers: None.

(ii) Accounts receivable

Name of project	Ending balance	Beginning balance
Accounts receivable	1,762,397,459.34	1,562,283,924.40
Less: Provision for bad debts	22,134,294.62	21,055,116.22
<b>Net amount</b>	<b>1,740,263,164.72</b>	<b>1,541,228,808.18</b>

- 1) The ageing analysis of accounts receivable as at the transaction date (including accounts receivable from related parties) is as follows:

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,398,238,734.31	6,991,114.33	0.50
1-2 years	189,869,308.63	949,346.54	0.50
2-3 years	151,766,556.12	758,832.78	0.50
3-4 years	9,657,498.03	4,144,506.20	42.91
4-5 years	1,693,520.45	187,149.06	11.05
Over 5 years	11,171,841.80	9,103,345.71	81.48
<b>Total</b>	<b>1,762,397,459.34</b>	<b>22,134,294.62</b>	<b>1.26</b>

(Continued)

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,169,165,310.01	5,811,972.59	0.50
1-2 years	257,009,022.98	1,296,222.24	0.50
2-3 years	110,371,726.65	545,830.58	0.50
3-4 years	7,008,378.15	4,081,276.19	58.23
4-5 years	7,278,985.47	3,747,170.85	51.48
Over 5 years	11,450,501.14	5,572,643.77	48.67
<b>Total</b>	<b>1,562,283,924.40</b>	<b>21,055,116.22</b>	<b>1.35</b>

- 2) Credit period of accounts receivable

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

- 3) Breakdown of accounts receivable by risk

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Net amount	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Provision Percentage (%)		Amount	Percentage (%)	Amount	Provision Percentage (%)	

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Net amount	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Provision Percentage (%)		Amount	Percentage (%)	Amount	Provision Percentage (%)	
Accounts receivable which are individually significant and for which provision for bad debts is made on an individual basis										
Accounts receivable for which provision for bad debts is made on a credit risk feature portfolio basis	1,749,008,126.03	99.24	8,744,961.31	0.50	1,740,263,164.72	1,548,944,424.04	99.15	7,715,615.86	0.50	1,541,228,808.18
Accounts receivable which are individually insignificant but for which provision for bad debts is made on an individual basis	13,389,333.31	0.76	13,389,333.31	100.00		13,339,500.36	0.85	13,339,500.36	100.00	
<b>Total</b>	<b>1,762,397,459.34</b>	<b>—</b>	<b>22,134,294.62</b>	<b>—</b>	<b>1,740,263,164.72</b>	<b>1,562,283,924.40</b>	<b>—</b>	<b>21,055,116.22</b>	<b>—</b>	<b>1,541,228,808.18</b>

a) Accounts receivable in the portfolio for which provision for bad debts is made using balance percentage method

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,398,238,734.31	6,991,114.33	0.50
1-2 years	189,869,308.63	949,346.54	0.50
2-3 years	151,766,556.12	758,832.78	0.50
3-4 years	5,540,695.32	27,703.49	0.50
4-5 years	1,513,941.10	7,569.71	0.50
Over 5 years	2,078,890.55	10,394.46	0.50
<b>Total</b>	<b>1,749,008,126.03</b>	<b>8,744,961.31</b>	<b>—</b>

b) Accounts receivable which are individually insignificant but for which provision for bad debts is made on an individual basis as at the end of the period

Name of entity	Ending balance			
	Accounts receivable	Provision for bad debts	Percentage (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,041,802.71	4,041,802.71	100	Difficult to recover
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	3,549,843.68	3,549,843.68	100	The counterparty lost the suit but has no executable property

Name of entity	Ending balance			
	Accounts receivable	Provision for bad debts	Percentage (%)	Reasons for provision
WHL-FONKWANG	2,691,552.94	2,691,552.94	100	Long overdue and there are signs of impairment
Chongqing Yuandong Fushi Electromechanical Company	894,670.00	894,670.00	100	Long ageing, with risk of collection.
Fuzhou Hongjia Electronic Technology Company	563,118.00	563,118.00	100	Long ageing, with risk of collection.
Chongqing South Group Company	263,698.87	263,698.87	100	There is dispute about the amount owed
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100	Long ageing, with risk of collection.
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100	Long ageing, with risk of collection.
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100	Long ageing, with risk of collection.
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100	Long ageing, with risk of collection.
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100	Long ageing, with risk of collection.
Wuhan Yuji Property Co., Ltd.	105,500.00	105,500.00	100	Long ageing, with risk of collection.
14 other companies	487,072.27	487,072.27	100	Long ageing, with risk of collection.
<b>Total</b>	<b>13,389,333.31</b>	<b>13,389,333.31</b>	—	—

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

Provision for bad debts made during the period amounted to RMB1,111,518.40; provision for bad debts recovered or reversed during the period amounted to RMB30,240.00.

5) Accounts receivable written-off during the period

Item	Amount written-off
Accounts receivable written-off	2,100.00

6) Top five accounts receivable by ending balance of debtors

Name of entity	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts Ending balance
Entity 1	Third party	328,206,200.00	Within one year	18.52	1,641,031.00
Entity 2	Third party	194,882,445.00	Within 2 years	11.00	974,412.23
Entity 3	Third party	124,949,174.30	Within 4 years	7.05	624,745.87
Entity 4	Third party	87,669,950.00	Within one year	4.95	438,349.75
Entity 5	Third party	57,564,420.00	Within	3.25	287,822.10



Name of entity	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts Ending balance
			one year		
<b>Total</b>		<b>793,272,189.30</b>		<b>44.77</b>	<b>3,966,360.95</b>

## 2. Notes and accounts payable

Item	No.	Ending balance	Beginning balance
Notes payable	(1)	1,405,519,580.19	1,772,284,568.59
Accounts payable	(2)	7,753,174,057.81	7,656,237,265.69
<b>Total</b>		<b>9,158,693,638.00</b>	<b>9,428,521,834.28</b>

### (1) Notes payable

Type	Ending balance	Beginning balance
Bank acceptance bills	1,386,662,580.19	1,599,584,847.84
Commercial acceptance bills	18,857,000.00	172,699,720.75
<b>Total</b>	<b>1,405,519,580.19</b>	<b>1,772,284,568.59</b>

Total notes payable due and unpaid as at the end of the period amounted to RMB29,811,000.00 (RMB0 as at the beginning of the year).

Among the above notes payable of the Group, RMB1,375,708,580.19 had an ageing of less than 180 days, and RMB29,811,000.00 had an ageing of 181-360 days.

### (2) Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	4,930,260,981.74	4,732,575,259.17
Payment for projects under construction	113,313,615.61	139,654,470.85
Balance of product payment	374,682,971.29	522,958,298.33
Retention money	1,347,726,757.75	1,408,935,503.78
Other construction and labour services	987,189,731.42	852,113,733.56
<b>Total</b>	<b>7,753,174,057.81</b>	<b>7,656,237,265.69</b>

1) The ageing analysis of accounts payable as at the transaction date (including accounts payable to related parties) is as follows:

Ageing	Ending balance	Beginning balance
Within one year	5,750,931,829.59	6,410,815,147.85
1-2 years	1,628,658,862.73	820,663,794.19
2-3 years	189,987,735.18	198,414,252.64
Over 3 years	183,595,630.31	226,344,071.01

<b>Total</b>	<b>7,753,174,057.81</b>	<b>7,656,237,265.69</b>
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2) Significant accounts payable aged over one year

Name of entity	Ending balance	Including: Amount over one year	Reason for unsettlement or carrying forward
CSSC Systems Engineering Research Institute	676,466,760.69	267,109,976.07	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation A Research Institute	667,775,236.11	200,576,573.50	Project unsettled and retention money
Aviation Technology Research Institute of China Aerospace Science and Industry	160,348,400.00	110,381,300.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	131,616,792.55	68,408,028.76	Project unsettled
China Shipbuilding Industry Corporation C Research Institute	114,470,730.00	32,896,530.00	Equipment warranty and provisional estimates
China Shipbuilding NDRI Engineering Co., Ltd.	101,067,659.29	90,213,179.36	Project unsettled; undue
Shanghai Academy of Spaceflight Technology	92,405,000.00	92,405,000.00	Retention money and project payment
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	57,881,878.57	931,732.00	Retention money
Wenzhou Bohong Electric Co., Ltd.	34,487,370.00	2,668,245.00	Project unsettled
CSSC Systems Engineering Research Institute	31,995,550.00	7,305,550.00	Project unsettled
China Shipbuilding Industry Corporation D Research Institute	30,012,880.00	4,967,280.00	Project unsettled
China Shipbuilding Industry Corporation A Research Institute	24,301,220.00	1,432,500.00	Project unsettled
China Shipbuilding Industry Corporation E Research Institute	22,580,000.00	8,038,000.00	Project unsettled
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,475,785.09	18,472,294.28	Project unsettled
Shanghai Haixun Electrical Engineering Co., Ltd.	17,662,495.01	2,892,770.01	Project unsettled
Wuhan Marine Machinery Co., Ltd.	15,512,000.00	8,498,000.00	Project unsettled
Dalian Marine Diesel Engine Co., Ltd.	14,800,000.00	14,665,000.00	Project unsettled
Nanjing Panda Handa Technology Co., Ltd.	13,697,500.00	13,697,500.00	Project unsettled
Naval Medical Research Institute of the People's Liberation Army	10,763,000.00	10,763,000.00	Project unsettled
<b>Total</b>	<b>2,236,320,257.31</b>	<b>956,322,458.98</b>	—

3. Undistributed profit

Item	Current period	Corresponding period of last year
<b>Ending balance of last year</b>	<b>1,228,681,091.09</b>	<b>1,173,657,685.44</b>
Add: Beginning adjustment to undistributed profit	-28,415,790.16	

<b>Item</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
<b>Beginning balance of the year</b>	<b>1,200,265,300.93</b>	<b>1,173,657,685.44</b>
Add: Net profit attributable to owners of the Company for the period	-294,982,112.04	43,972,225.89
Add: Transfer from other comprehensive income to retained earnings	159,937.61	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
Provision for general risks		
Dividends payable on ordinary shares		22,616,102.05
<b>Ending balance of current period</b>	<b>905,443,126.50</b>	<b>1,195,013,809.28</b>

Description: Details of the reason for the adjustment to the balance of undistributed profit as at the beginning of the year against the balance as at the end of last year were set out in Note II.

#### 4. Net current assets

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Current assets	29,267,458,302.81	30,123,160,605.20
Less: Current liabilities	23,002,063,388.01	23,499,629,686.22
<b>Net current assets</b>	<b>6,265,394,914.80</b>	<b>6,623,530,918.98</b>

#### 5. Total assets less current liabilities

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Total assets	29,267,458,302.81	30,123,160,605.20
Less: Current liabilities	23,002,063,388.01	23,499,629,686.22
<b>Total assets less current liabilities</b>	<b>6,265,394,914.80</b>	<b>6,623,530,918.98</b>

#### 6. Operating income & Operating costs

<b>Item</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
Income from principal business	8,115,528,985.02	10,283,017,857.53
Revenue from other business	104,406,634.39	134,513,339.92
<b>Total</b>	<b>8,219,935,619.41</b>	<b>10,417,531,197.45</b>
Costs of principal business	8,075,571,250.13	9,457,282,502.27
Costs of other business	64,337,138.87	112,291,475.11
<b>Total</b>	<b>8,139,908,389.00</b>	<b>9,569,573,977.38</b>

#### Gross profit from principal business

<b>Item</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
Income from principal business	8,115,528,985.02	10,283,017,857.53
Costs of principal business	8,075,571,250.13	9,457,282,502.27
Gross profit	39,957,734.89	825,735,355.26

Including: By timing of recognition of revenue:

<b>Item</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
Recognised at a point in time	1,040,630,163.86	—
Recognised over time	7,074,898,821.16	—
Sub-total of income from principal business	8,115,528,985.02	—

(1) Principal business – by product

<b>Product name</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
<b>Operating income</b>		
Shipbuilding	6,283,141,777.05	7,674,361,462.69
Offshore engineering products	743,829,381.34	1,784,423,678.93
Ship maintenance	40,226,893.31	48,735,468.03
Steel structure engineering	166,534,131.26	312,126,731.28
Electromechanical products and others	881,796,802.06	463,370,516.60
<b>Total</b>	<b>8,115,528,985.02</b>	<b>10,283,017,857.53</b>
<b>Operating costs</b>		
Shipbuilding	6,196,218,059.63	6,936,447,935.03
Offshore engineering products	853,123,607.73	1,805,394,959.82
Ship maintenance	22,130,382.21	41,150,270.39
Steel structure engineering	155,946,666.27	265,852,424.00
Electromechanical products and others	848,152,534.29	408,436,913.03
<b>Total</b>	<b>8,075,571,250.13</b>	<b>9,457,282,502.27</b>

(2) Principal business – by region

<b>Region</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
<b>Operating income</b>		
China (including Hong Kong, Macau and Taiwan)	4,807,860,459.38	6,719,257,671.90
Other regions in Asia	256,116,670.75	866,560,420.94
Europe	1,669,003,495.52	1,809,924,941.80

<b>Region</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
Oceania	235,552,115.80	565,739,206.58
North America	874,090,624.27	264,673,443.70
Africa	227,579,212.20	56,862,172.61
South America	45,326,407.10	
<b>Total</b>	<b>8,115,528,985.02</b>	<b>10,283,017,857.53</b>
<b>Operating costs</b>		
China (including Hong Kong, Macau and Taiwan)	4,762,624,252.48	6,171,100,633.35
Other regions in Asia	247,496,297.44	825,498,288.97
Europe	1,718,449,352.37	1,719,938,861.32
Oceania	233,346,125.82	464,249,218.63
North America	836,142,801.47	257,230,365.46
Africa	232,186,013.45	19,265,134.54
South America	45,326,407.10	
<b>Total</b>	<b>8,075,571,250.13</b>	<b>9,457,282,502.27</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>Revenue from other business</b>		
Sale of materials	31,907,025.67	21,399,381.83
Sales of scrap materials	25,700,264.58	36,650,823.98
Service income	5,702,348.52	4,976,428.39
Rental income	14,529,232.56	42,927,534.78
Energy income	15,478,663.12	23,168,451.38
Others	11,089,099.94	5,390,719.56
<b>Total</b>	<b>104,406,634.39</b>	<b>134,513,339.92</b>
<b>Costs of other business</b>		
Sale of materials	29,753,690.21	27,599,044.18
Sales of scrap materials	10,028,247.66	24,208,630.79
Service income	4,218,850.36	4,442,983.50
Rental income	6,214,967.98	32,207,445.74
Energy income	6,324,061.50	23,090,582.89
Others	7,797,321.16	742,788.01
<b>Total</b>	<b>64,337,138.87</b>	<b>112,291,475.11</b>

(4) Contracts and projects recognised over time

Contract item		Total contract amount	Accumulated cost incurred	Accumulated gross profit recognised	Amount settled	Provision for impairment at the end of the period
Fixed price contracts	<b>Total contracts under construction</b>	<b>64,031,209,423.91</b>	<b>24,292,470,730.47</b>	<b>506,055,542.11</b>	<b>23,366,991,633.81</b>	<b>216,647,979.85</b>
	Special ships	29,594,090,817.69	12,273,795,830.33	766,343,292.72	14,059,048,011.78	3,609,525.90
	Offshore engineering products	2,598,469,574.89	1,607,821,163.95	97,330,932.65	378,515,592.90	33,529,153.82
	Tankers for product oil/chemicals	11,728,598,370.52	4,765,084,100.60	64,549,484.60	4,041,615,838.82	154,564,394.03
	Containerships	7,136,959,233.30	1,966,272,204.56	48,988.99	1,605,576,441.82	21,245,469.27
	Ro-ro passenger ships	5,876,116,797.00	1,817,849,734.38	53,567,534.26	1,713,853,065.30	
	Crude oil tankers	1,344,038,400.00	2,183,915.39		104,956,000.00	
	Bulk carriers	1,245,680,876.00	464,433,486.66	41,749,309.03	249,474,894.06	95,274.98
	Dredgers	2,781,760,000.00	215,683,563.96	2,591,242.79	274,045,255.53	
	Ore carriers	950,909,420.50	566,274,976.98	7,367,505.60	409,307,440.00	2,392,116.57
Non-ship building contracts	774,585,934.01	613,071,753.66	1,636,783.75	530,599,093.60	1,212,045.28	

As the shipbuilding market is still in the trough period and ship price is at a low level, as well as the estimated total cost increase because of the delay of the shipbuilding schedule for various reasons such as improvement of the construction standard resulted from changes of demand-supply relationship in the shipbuilding market, the strict periodic inspection by ship owners, and the lower willingness for taking over the ships, the estimated total cost exceeds the estimated total revenue for some ship contracts of the Group, resulting in an estimated loss.

(5) Top five customers by operating income.

Customer	Relationship with the Group	Current period	Proportion (%)
Top 1	Third party	2,522,485,045.67	31.02
Top 2	Third party	822,312,322.68	10.11
Top 3	Third party	409,552,604.97	5.04
Top 4	Third party	326,205,484.88	4.01
Top 5	Third party	284,872,690.39	3.50

<b>Total</b>		<b>4,365,428,148.59</b>	<b>53.68</b>
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(6) Purchase amounts from top five suppliers

<b>Supplier</b>	<b>Relationship with the Group</b>	<b>Current period</b>	<b>Proportion (%)</b>
Top 1	Under common control of CSSC	1,146,421,418.25	14.20
Top 2	Third party	356,189,500.00	4.41
Top 3	Third party	178,637,000.00	2.21
Top 4	Under common control of CSSC	117,945,923.93	1.46
Top 5	Third party	108,447,766.05	1.34
<b>Total</b>		<b>1,907,641,608.23</b>	<b>23.62</b>

**7. Finance cost**

(1). Breakdown of finance costs

<b>Item</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
Interest expense	137,501,934.99	190,480,197.43
Less: Interest income	106,540,470.69	113,527,866.70
Add: Exchange losses	29,633,800.30	115,707,216.92
Add: Other expenses	2,533,886.16	5,804,282.08
<b>Total</b>	<b>63,129,150.76</b>	<b>198,463,829.73</b>

(2). Breakdown of interest expenses

<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	138,588,899.15	158,427,258.92
Other borrowings		
Interest on other borrowings due within 5 years	21,514,993.95	36,485,566.42
Other interest expenses		
Sub-total	160,103,893.10	194,912,825.34
Less: Interest capitalised	2,391,958.11	4,432,627.91
Less: Interest subsidy	20,210,000.00	
<b>Total</b>	<b>137,501,934.99</b>	<b>190,480,197.43</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	101,148,606.94	113,527,866.70
Interest income from receivables	5,391,863.75	
<b>Total</b>	<b>106,540,470.69</b>	<b>113,527,866.70</b>

## 8. Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	-4,676,326.34	310,227.63
Investment income from disposal of long-term equity investments	-37,413.98	19,349.00
Investment income from disposal of financial assets held-for-trading	-548,000.00	4,200.02
Investment income from holding entrusted wealth management products	25,683,820.27	26,507,232.89
Investment income from holding investments in equity instruments	13,750.00	76,008.09
<b>Total</b>	<b>20,435,829.95</b>	<b>26,917,017.63</b>

The investment income from investment in listed companies and non-listed companies for the period amounted to RMB13,750.00 (Corresponding period of last year: RMB76,008.09) and RMB20,422,079.95 (Corresponding period of last year: RMB26,841,009.54), respectively.

## 9. Gain/loss on change in fair value

Item	Current period	Corresponding period of last year
Change in fair value of financial assets held-for-trading	5,200,410.94	
Change in fair value of financial liabilities held-for-trading	-226,620,700.92	-655,224.92
<b>Total</b>	<b>-221,420,289.98</b>	<b>-655,224.92</b>

## 10. Non-operating income

### (1). Breakdown of non-operating income

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Gain on disposal of non-current assets	40,516.04	1,501,708.53	40,516.04
Including: Gain on disposal of fixed assets	40,516.04	1,501,708.53	40,516.04
Government grants	1,497,926.10	13,503,420.00	1,497,926.10
Penalty income	59,729.26	48,700.00	59,729.26
Compensation income	1,100,424.56		1,100,424.56
Compensation for assets relocation	553,814,885.69		553,814,885.69



<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>
Transfer from claims under the balance of social security fund	7,251,931.72		7,251,931.72
Others	488,068.71	7,759,062.37	488,068.71
<b>Total</b>	<b>564,253,482.08</b>	<b>22,812,890.90</b>	<b>564,253,482.08</b>

The amount included in non-recurring gains and losses for the period was RMB564,253,482.08 (Corresponding period of last year: RMB22,812,890.90).

(2). Breakdown of government grants

<b>Item</b>	<b>Current period</b>	<b>Corresponding period of last year</b>	<b>Source and basis</b>	<b>Relating to assets/Relating to revenue</b>
Separation and transfer of water, power and gas supply and property management business	910,064.94	11,580,000.00	Ministry of Finance	Relating to revenue
Special funds for fair trade in imports and exports in Guangzhou	300,000.00		Guangzhou Municipal Commission of Commerce	Relating to revenue
Trade friction response research fund	165,000.00		Guangzhou Municipal Commission of Commerce	Relating to revenue
Ship pipes high-efficiency production technology upgrading project	77,849.76		Government subsidy	Relating to assets
Base construction subsidy	31,091.40		Government grants	Relating to assets
Patent grant from Guangzhou Intellectual Property Office	13,200.00		Government subsidy	Relating to revenue
Employment promotion reward from Zhujiang Street Community Comprehensive Management and Services Centre of Nansha District, Guangzhou	720.00		Government subsidy	Relating to revenue
Patent subsidy		90,340.00	Municipal government	Relating to revenue
Copyright registration assistance		21,470.00	Copyright registration assistance	Relating to revenue
Incentive subsidy for contribution to local economic development by headquarters for 2016-2017		1,400,000.00	National government subsidy	Relating to revenue
Little Giant invoicing increase incentive		30,000.00	Economy and Information Committee of	Relating to revenue

			Jiangdu District	
Intellectual property right incentive		381,610.00	Intellectual property right incentive	Relating to revenue
Total	1,497,926.10	13,503,420.00	—	—

(3). Description of profit from disposal of properties

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

## 11. Income tax expense

(1). Income tax expense

Item	Current period	Corresponding period of last year
Current income tax – PRC enterprise income tax	-5,941,046.06	8,991,198.93
1. China	1,309,880.47	8,991,198.93
2. Hong Kong		
3. Over-provision (Under-provision) in prior years	-7,250,926.53	
Deferred tax	-26,953,618.37	2,120,463.15
Others		
<b>Total</b>	<b>-32,894,664.43</b>	<b>11,111,662.08</b>

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

Item	Current period	Corresponding period of last year
Total consolidated profit for current period	-370,404,235.92	63,067,658.82
Income tax expenses calculated at statutory/applicable tax rate	-92,601,058.98	15,766,914.71
Impact of different tax rates for subsidiaries	27,355,244.76	-1,708,332.65
Impact of adjustment for income tax for previous period	-7,653,583.87	
Impact of non-taxable income	1,222,888.68	-77,556.91
Impact of non-deductible costs, expenses and losses	583,359.51	582,844.92
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-630,402.83	-5,852,968.85
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	36,375,630.31	2,400,671.18
Under-provision for income tax for prior year		
Change in beginning balance of deferred tax assets/liabilities as a result of change in tax rate		

Income tax expense	-32,894,664.43	11,111,662.08
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(3). Main taxes and rates

Type	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	16%
	Revenue from construction and installation business	10%
	Modern services industry	6%
City maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

Note: In accordance with the Circular on the Adjustment to the Rates of Value-added Tax (Cai Shui [2018] No. 32), with effect from 1 May 2018, the rates of value-added tax for the taxable sales or imports of goods of the Group had been changed from 17% and 11% to 16% and 10%, respectively.

Notes on taxpayers subject to different enterprise income tax rates:

Name of entity	Tax rate	Remarks
the Company	25%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Glory Group Development Limited	16.5%	Incorporated in Hong Kong
Fonkwang Development Limited	16.5%	Incorporated in Hong Kong
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprise
Other subsidiaries	25%	

(4). Preferential taxation treatment

1. Value-added tax

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 16% (changed from 17% to 16% with effect from 1 May 2018) for ship products, 9% for steel structure products and 15% for large equipment.

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

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.

## 2) Enterprise income tax

The computer company, a subsidiary of the Company, passed the certification of first batch of high-tech enterprises in 2014 with a validity period of three years. On 9 November 2017, the computer company passed the review for high-tech enterprises and renewed its high-tech enterprise certificate for term of three years. Its enterprise income tax for 2018 was paid at a rate of 15%.

Huangpu Wenchong, a subsidiary of the Company, passed the certification of second batch of high-tech enterprises in Guangdong Province in 2015 with a validity period of three years. In 2018, Huangpu Wenchong re-applied for the high-tech enterprise qualification. As it believes that it will be able to renew the certificate prior to the payment of income tax, its enterprise income tax for 2018 continued to be paid at a rate of 15%.

GSI and Wenchong Shipyard, both subsidiaries of the Company, passed the certification of third batch of high-tech enterprises in Guangzhou in 2016 with a validity period of three years. As they did not choose preferential taxation treatment, their enterprise income tax for 2018 continued to be paid at a rate of 25%.

## 12. 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:

<b>Item</b>	<b>No.</b>	<b>Current period</b>	<b>Corresponding period of last year</b>
Net profit attributable to shareholders of the Company	1	-294,982,112.04	43,972,225.89
Non-recurring gains and losses attributable to the Company	2	189,111,488.19	62,527,020.28
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	-484,093,600.23	-18,554,794.39
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	6.00	6.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,413,506,378.00
Weighted average number of ordinary shares outstanding following adjustments in relation to business combination under common control for the purposes of earnings per share after deduction of non-recurring gains and losses	13	1,413,506,378.00	1,413,506,378.00
<b>Basic earnings per share (I)</b>	14=1÷12	-0.2087	0.0311
<b>Basic earnings per share (II)</b>	15=3÷13	-0.3425	-0.0131
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		

Item	No.	Current period	Corresponding period of last year
Diluted earnings per share (I)	$20 = [1 + (16 - 18) \times (1 - 17)] \div (12 + 19)$	-0.2087	0.0311
Diluted earnings per share (II)	$21 = [3 + (16 - 18) \times (1 - 17)] \div (13 + 19)$	-0.3425	-0.0131

### 13. DIVIDENDS

Final dividends for the year ended 31 December 2017 totalling RMB0 (Corresponding period of last year: RMB22,616,102.05) were declared and paid during the six months ended 30 June 2018.

Pursuant to a resolution of the meeting of the board of directors of the Company held on 23 August 2018, the Company will not distribute the interim dividends for the six month period ended 30 June 2018 (Corresponding period of last year: Nil).

### 14. Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of investment properties	314,356.08	314,356.08
Depreciation of fixed assets	330,714,167.21	346,967,277.43
Amortisation of intangible assets	26,911,707.80	29,226,818.77
Amortisation of long-term prepaid expenses	1,420,072.52	4,625,478.94
<b>Total</b>	<b>359,360,303.61</b>	<b>381,133,931.22</b>

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

Gains on disposal of investments during the period included gain on disposal of equity instruments not held-for-trading of RMB188,161.90 (Corresponding period of last year: RMB0) and investment income on cancellation of Longxue Properties, a subsidiary of the Company, of RMB-37,413.98 (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 3 categories based on the different types of main products. The management of the Group evaluates operating outcomes of these segments

periodically in order to make decisions concerning resource distributions and operating result assessments. The Group is currently organized into shipbuilding, steel structure projects and others.

Segment reporting information is disclosed according to accounting policies and measurement basis used in reports presented by each segment to the management. These accounting policies and measurement basis are consistent with those adopted in drafting financial statements.

## 2. Financial information of reportable segments during the period

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

#### Segment information for current period

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
Operating income	7,482,255,001.47	479,097,588.64	453,837,935.57	-195,254,906.27	8,219,935,619.41
Including: Revenue from external transactions	7,292,183,938.79	479,013,537.38	448,738,143.24		8,219,935,619.41
Revenue from intra-segment transactions	190,071,062.680	84,051.26	5,099,792.33	-195,254,906.27	
Operating costs	7,476,190,588.37	453,453,141.90	398,393,203.89	-188,128,545.16	8,139,908,389.00
Charges during the period	562,582,681.78	20,872,243.73	38,206,235.26	12,542,673.98	634,203,834.75
Segment total profit (total loss)	-402,599,545.64	5,717,290.10	5,804,967.47	20,673,052.15	-370,404,235.92
Total assets	45,415,488,201.79	765,505,700.41	10,036,883,826.92	-11,268,422,158.41	44,949,455,570.71
Total liabilities	30,094,927,730.50	603,962,006.46	1,049,473,810.55	-3,267,490,036.34	28,480,873,511.17
Supplementary information					
Capital Expenditure	410,814,091.88	10,450,008.43	50,584,519.18	-100,000,000.00	371,848,619.49
Impairment loss recognised during current period	91,466,143.03	-484,217.97	153,326.68		91,135,251.74
Depreciation and amortisation expense	319,551,664.51	3,030,163.40	36,483,404.17	295,071.53	359,360,303.61

#### Segment information for the corresponding period of last year

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
Operating income	9,640,381,852.31	467,264,100.00	816,343,158.51	-506,457,913.37	10,417,531,197.45
Including: Revenue from external transactions	9,614,909,524.50	454,106,414.54	348,515,258.41		10,417,531,197.45
Revenue from intra-segment	25,472,327.81	13,157,685.46	467,827,900.10	-506,457,913.37	

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
transactions					
Operating costs	8,899,544,721.50	408,799,244.56	753,653,060.68	-492,423,049.36	9,569,573,977.38
Charges during the period	735,166,323.41	28,851,290.50	42,301,849.54	-1,903,265.27	804,416,198.18
Segment total profit (total loss)	29,777,885.97	29,368,766.25	52,443,463.55	-48,522,456.95	63,067,658.82
Total assets	42,713,643,017.18	912,421,558.69	12,271,013,047.85	-11,168,124,302.78	44,728,953,320.94
Total liabilities	32,232,346,939.81	508,986,438.40	1,422,654,811.42	-1,370,497,378.71	32,793,490,810.92
Supplementary information					
Capital Expenditure	194,775,611.39	64,047.32	114,456,517.61	-2,301,826.45	306,994,349.87
Impairment loss recognised during current period	16,695,151.22	-184,488.01	-2,203,590.57		14,307,072.64
Depreciation and amortisation expense	319,733,235.47	2,990,200.88	58,763,266.43	-367,714.99	381,118,987.79

(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	8,197,510,141.58	10,366,453,884.44
Revenue from external transactions derived from other countries	22,425,477.83	51,077,313.01
<b>Total</b>	<b>8,219,935,619.41</b>	<b>10,417,531,197.45</b>

(3) Non-current assets by location of assets

Total non-current assets	Ending balance	Beginning balance
Non-current assets within China	13,267,656,369.51	13,380,356,734.16
Non-current assets in other countries	325,208,380.67	260,187,291.34
<b>Total</b>	<b>13,592,864,750.18</b>	<b>13,640,544,025.50</b>

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



## **§10 DOCUMENTS AVAILABLE FOR INSPECTION**

The 2018 interim report will be available at the following addresses and websites:

HKEXnews website of The Stock Exchange of Hong Kong Limited	www.hkexnews.hk
website of the Shanghai Stock Exchange	www.sse.com.cn
Place for inspection of the interim report	Office of the Board of Directors, 40 South Fangcun Main Road, Liwan District, Guangzhou

By order of the Board

**CSSC Offshore & Marine Engineering (Group) Company Limited**

**Han Guangde**

*Chairman*

Guangzhou, 23 August 2018

*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. Xiang Huiming and Mr. Chen Ji, non-executive Directors Mr. Yang Li and Mr. Shi Jun and independent non-executive Directors Mr. Wang Yichu, Mr. Min Weiguo, Mr. Liu Renhuai and Mr. Yu Shiyou.*