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

**Stock Code: 00317**

# **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

## **(Financial Highlights)**

<b>Turnover:</b>	<b>RMB 19,213,596,394.03</b>
<b>Profit attributable to equity holders of the Company:</b>	<b>RMB-1,869,014,160.08</b>
<b>Earnings per share attributable to equity holders of the Company:</b>	<b>RMB -1.3223</b>

The board of directors (the "Board") of CSSC Offshore & Marine Engineering (Group) Company Limited (the "Company" or "COMEC") hereby announces the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "Reporting Period") which were prepared in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China (the "PRC"), together with the comparative figures for the same period in 2017, as follows :

## **DIVIDENDS**

In accordance with the article 215 of the "Articles of Association of CSSC Offshore & Marine Engineering (Group) Company Limited", the Company's profit distribution policy shall be:

### **(I) Profit distribution principle**

The Company shall implement a continuous and stable profit distribution policy and the profit distribution of the Company shall be made in accordance with the statutory sequence of distribution. It attaches importance to providing reasonable and stable investment returns for its shareholders and maintaining the Company's long-term and sustainable development. In principle, the Company shall distribute its distributable profit on a yearly basis and it can also declare interim dividends.

### **(II) Ways of profit distribution**

The Company may distribute its dividends by ways of cash, shares or a combination of both, with dividend distribution in cash taking priority. In distributing profits by means of shares, the Company should give due regard to the actual and reasonable factors such as growth and dilution to the net assets per share, etc. The distribution of profits shall not exceed the limit of cumulative distributable profits.

### (III) Conditions and proportion of dividend distribution

1. On the premise of satisfying the criteria for distribution of cash dividends, in principle, the Company shall distribute dividends in cash on a yearly basis. The Board can recommend to the Company to declare interim dividends based on the Company's profits and capital needs;
2. On the premise of satisfying the criteria for distribution of cash dividends, in principle, the Company shall distribute cash dividends based on a fixed proportion of distributable profits achieved in a year. The cumulative profit distribution in cash for the last three years shall not be less than 30% of the average distributable profit for the last three years;
3. The Company can use increased distribution of share dividends as an additional means for profit distribution, and the sum of cash dividends and share dividends shall not be less than 50% of the distributable profits for the year. In determining the specific amount for distributing profits by means of shares, the Company should give due regard to whether the total share capital after profit distribution by means of shares corresponds to the Company's current scale of operations and profit growth rate, and consider the impact on the debt financing cost of future loans, so to ensure that the profit distribution plan is in line with the overall interests and long-term interests of shareholders as a whole.
4. In principle, in distributing cash dividends, the Company shall at the same time satisfy the following criteria:
  - (i) The Company has made a profit for that year, and after compensating for losses in previous years and withdrawing reserves from the provident fund according to law, the cumulative undistributed profits shall be positive, and the earnings per share shall not be less than RMB0.05;
  - (ii) Auditors issue a standard audit report opinion without qualifications for the Company's financial report for the year;
  - (iii) The Company's asset-liability ratio shall not exceed 70%;
  - (iv) The Company does not have material investment plan or material cash expenditures.

Material investment plan or material cash expenditures refer to: The Company intends to make external investment, acquire assets or purchase equipment in the following 12 months with a cumulative expenditure reaching or over 10% of its latest audited net assets of and exceeding RMB500,000,000;
  - (v) If the Board does not propose to distribute profits in cash in the year when the Company is profitable, it shall state the reason why the profits are not distributed in its annual report for the year, and the use and plans of use in respect of the undistributed capital reserve. Independent directors shall express independent opinions on such non-distribution of profits and disclose their opinions to the public. If the Company does not propose to distribute profits in cash when it is profitable during the reporting period, it shall provide online voting platforms to its shareholders in addition to an on-site meeting when it holds general meetings.

According to the resolutions of the Board dated 22 March 2018, the profit distribution plan during the reporting period are as following: In accordance with the section 3(4) of article 215 of the Articles of Association of the Company relating to the profit distribution policy, in view of the net profit attributable to shareholders of the Company in 2018 being negative, the Company does not intend to declare any dividends in 2018. At the same time, the Company also would not implement any capitalization of common reserve. This profit distribution proposal is subject to approval at the 2018 annual general meeting.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **(I) Development of the shipbuilding market in 2018**

2018 witnessed the slower rebound momentum in the global shipping market. Affected by uncertainties including Sino-US trade disputes and geopolitics and increasing potential risks, the sluggish recovery of global economy and the slowdown of international trade, shipowners are increasingly cautious about new ship investment, and orders of new ships recorded decrease rather than increase. According to statistics of Clarkson Research Services Limited of the United Kingdom, the total number of orders of new ships during the year was 1,195 ships/76,850,000 DWT, representing a year-on-year decrease of 12.5%. Despite the drop in the new ship orders and the intensifying market competition, the on-going operation of major shipyards had been guaranteed due to the overall stable demand of the new ships, coupled with the environmental protection regulations and support of high supply costs such as the rising steel price, the prices of new ships registered a stable performance with good momentum for growth. According to statistics of Clarkson Research Services Limited of the United Kingdom, the December ClarkSea Index reached to 130 points, representing an increase of 4 points as compared to the beginning of the year.

In terms of the global shipbuilding market, the Clarksea Index continued to surge in fluctuations, with an average annual value of US\$12,080/day, representing an increase of 12.2% year-on-year. The BDI index basically remained a range between 1000-1700 points, with an average of 1,350 points, representing an increase of 17.5% as compared to the same period last year. Amidst the obvious decline in global trade growth, the constrained growth of the shipping market was mainly due to the decline in the delivery of new ships, the relatively smooth scrapped tonnages, the effective control of the fleet's total capacity and the effective consolidation of fundamental supply and demand. The increase in shipbuilding operating income provided supports for the rebound of the new ship market.

In terms of the major ship types market, the market trend was uneven and divergent. For the bulk carriers, despite the significant good momentum in the shipping market, the demand for new ships fell from a high level with global accumulated volume amounting to 283 ships with 30,930,000 DWT, representing a year-on-year decrease of 24.1%. For oil tankers, its shipping market was relatively sluggish, and capital speculation decreased; global accumulated transaction volume with a capacity of over 10,000 tons was 186 oil tankers/23,300,000 DWT, representing a year-on-year decrease of 31.5%. For containerships, its shipbuilding market continued to strengthen; the global accumulated transaction volume was 194 ships/1,214,000 TEUs, representing a further year-on-year increase of 42.1%.

In terms of the competition pattern of major shipbuilding countries, in 2018, the global shipbuilding industry continued the competitive landscape featuring “three major shipbuilding countries” of China, Japan and Korea since the financial crisis. China, Japan and South Korea accounted for 43%, 25% and 25% of the global ship

completion volume of 80,115,000 DWT respectively, 39%, 15% and 42% of new orders with 76,850,000 DWT respectively, and 43%, 21% and 30% of orders on hand with 207,580,000 DWT respectively. During the year, in addition to consolidating the market position of the bulk carrier market and the middle- and small-sized ships market, Chinese shipyards, characterized as the diversified orders, continued to make breakthroughs in the high-end ship types such as orders of luxury liners, and undertook some orders of crude oil ships, liquefied gas carriers, large container ships and special ships of considerable scale. Korean shipyards benefited from the government's policy support and fiscal subsidies for the shipping industry and shipbuilding industry, nearly monopolizing large crude oil ships, large liquefied gas carriers, and achieving good results in the large container ship market. Japanese shipyards have an outstanding brand reputation in the bulk carriers and container ship markets.

## (II) Performance of the Group

### 1. The results of the business work are remarkable, and the secured orders are greatly increased

In 2018, as the global shipbuilding industry continued to perform poorly, and competition among domestic and overseas shipbuilding enterprises intensified and the difficulties for shipbuilding enterprises to make profit remained, the Company implemented high quality development strategies, and actively made use of its own strengths and took the initiative to adopt corresponding measures. It adhered to the principle of “military products first”, strengthened its operations and management, focused on improving productivity, which has enabled the Company to record growth of operational orders and delivery while maintaining stability in the doldrums for the industry and ensured the normal and sustainable development of the Group.

In 2018, the Group captured the opportunities of the recovery of orders in the shipbuilding market at the beginning of the year, fully exerted its core competitiveness, and achieved certain results in the fields of a number of sub-segments in Ro-ro passenger ships, oil tankers, official ships, scientific research vessels, etc. The Company achieved operational orders of RMB24.129 million, representing a year-on-year increase of 78.02%, and secured orders of 71 ships, which accounted for a substantial increase compared to 43 ships in 2017, and exceeded the annual plan. The Group has successfully received high-tech vessels such as 5,000-ton integrated resupply transport vessels, 10,000-ton sea-patrol vessels and new geophysical comprehensive scientific research vessels.

In face of the sluggish market environment, the Group's entities strived to overcome a series of difficulties such as uneven production and tight production cycle. The entities focused on strengthening production process control, vigorously promoted the construction of ships and defended the markets in key products so to ensure the successful delivery of ships. This resulted in the successful delivery of a series of cutting-edge ships, such as the Gotland Ro-ro passenger ship, condensate tanker, submarine pipeline inspection vessel and 1600-ton deep submerged wind power engineering ship, etc.

### 2. Practicing supply-side reform, reducing gearing ratio

In order to implement the government's policies relating to the supply-side structural reform of “cutting overcapacity, reducing excess inventory, deleveraging, lowering costs, and strengthening areas of weakness” and promote the reform of state-owned enterprises, combined with the actual situation of the Company, the

Company carried out market-oriented debt-to-equity conversion projects in respect of certain equity interests in Guangzhou Shipyard International Company Limited (“GSI”) and CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”) since 27 September 2017. During the reporting period, the capital increase of the market-oriented debt-to-equity conversion project has been completed, and 9 investors including Huarong Ruitong Equity Investment Management Co., Ltd. have increased their capital by contributing RMB2.4 billion to Guangzhou Shipyard International and Huangpu Wenchong, a total increase of RMB4.8 billion. COMEC’s consolidated gearing ratio has improved, effectively reducing financial risks, optimizing the capital structure and enhancing the strength of enterprises, which is in line with the government’s policy of deleveraging, reducing corporate costs on supply side structural reforms. At present, the work related to the issuance of shares is in progress.

### 3. Strengthening the integration of ship production and capacity in the south of China and expanding the types of business

Against the background of the relocation of the Company’s entity, GSI, completed its relocation from Liwan plant area to Nansha Longxue shipbuilding facility, and its production, operation and management were further enhanced. During the reporting period, GSI completed the purchase of 100% equity project of Wenchong Dockyard, effectively alleviating the actual shortage of its wharf resources, which was conducive to improving production efficiency. At the same time, through the synergy for production resources and product structure, efforts in expanding of ship maintenance and the addition and modification business, and modularizing non-ship businesses and the environmental protection business, , will further enhance the Company's market competitiveness.

## OPERATIONAL REVIEW

During the Reporting Period, the Group realized operating income of RMB19.214 billion, representing a year-on-year decrease of 16.17%. The total profit was RMB-2.460 billion, representing a year-on-year decrease of RMB2.482 billion. Net profit attributable to the shareholders of the Company were RMB-1.869 billion. The Group achieved operational orders of RMB24.129 billion for the whole year, representing a year-on-year increase of 78.02%.

Item	The Group's ship transportation equipment manufacturing - three major shipbuilding indicators		
	Shipbuilding completion	New order	Orders in hand
2018	51ships+1platform/2,034,000 DWT	69ships+2 platforms/2,933,600 DWT	146ships+8platforms/5,743,000 DWT
2017	65ships+1platform/3,539,600 DWT	41ships+2 platforms/1,958,600 DWT	131ships+7platforms/4,843,800DWT

## FINANCIAL REVIEW

For the year ended 31 December 2018, the operating income of the Group prepared under the PRC Accounting Standards for Business Enterprises amounted to RMB19.214 billion, representing a decrease of 16.17% compared with last year. The audited net profit attributable to the shareholders of the Company for the year amounted to RMB-1.869 billion, earnings per share amounted to RMB-1.3223 and earnings per share after deduction of non-recurring gains and losses amounted to RMB-1.2434.

Key financial indicators	2018	2017		Change (%)	2016		2015	2014
		After adjustment	Before adjustment		After adjustment	Before adjustment		
Basic earnings per share (RMB/share)	-1.3223	-0.0357	0.0621	Not applicable	-0.0597	0.0504	0.0709	0.3253
Diluted earnings per share (RMB/share)	-1.3223	-0.0357	0.0621	Not applicable	-0.0597	0.0504	0.0709	0.3253
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-1.2434	-0.7331	-0.7331	Not applicable	-0.0679	-0.0679	-1.2291	-0.6487
Weighted average return on equity (%)	-17.23	-0.47	0.84	Decrease of 16.76 percentage points	-0.79	0.69	0.99	4.46
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-16.64	-9.97	-9.97	Decrease 6.67 percentage points	-0.93	-0.93	-17.86	-11.3

**Table of analysis of changes in relevant items in income statement and cash flow statement**

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change (%)
Operating income	19,213,596,394.03	22,920,207,488.39	-16.17
Operating cost	19,262,469,746.28	21,501,523,820.76	-10.41
Sales expense	86,255,214.60	187,801,076.38	-54.07
Administrative expense	892,844,116.09	953,865,433.81	-6.40
Research and development expense	497,562,636.51	408,186,557.71	21.90
Financial expense	118,473,501.83	625,785,077.16	-81.07
Net cash flows from operating activities	-1,544,910,134.23	-811,263,061.73	Not applicable
Net cash flows from investing activities	-1,792,361,694.28	2,072,753,688.11	-186.47
Net cash flows from financing activities	180,100,901.84	591,477,078.06	-69.55
Research and development expense	665,830,255.36	636,897,127.00	4.54
Loss on impairment of assets	677,141,653.24	203,038,462.10	233.50
Loss on impairment of credit	39,371,984.45	-	Not applicable
Other income	24,448,764.78	61,421,306.20	-60.19
Investment income	-123,820,055.10	147,443,555.81	-183.98
Gain on change in fair value	-423,444,863.37	3,235,961.60	-13,185.60
Gain on disposal of assets	-1,303,386.17	-	Not applicable
Non-operating income	553,503,531.77	864,146,362.48	-35.95
Non-operating expenses	63,787,435.36	12,968,552.72	391.86
Income tax expense	13,924,817.73	67,842,358.71	-79.47

**Changes of items in income statement and explanation**

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change	Description
Selling expense	86,255,214.60	187,801,076.38	-101,545,861.78	-54.07%	Decrease in the provision for ship maintenance made as income decreased and received the first set of insurance subsidies to offset selling expense during the reporting period
Finance cost	118,473,501.83	625,785,077.16	-507,311,575.33	-81.07%	Decrease in exchange loss as a result of exchange rate fluctuation and decrease in interest expense as a result of reduced borrowing during the reporting period
Loss on impairment of assets	677,141,653.24	203,038,462.10	474,103,191.14	233.50%	Decrease in the consolidated gross profit of part of the vessels under construction, and the net realizable value is expected to be lower than the book value, increased provision for impairment is made based on the test results during the reporting period
Credit impairment loss	39,371,984.45	-	39,371,984.45	Not applicable	The credit impairment loss was adjusted according to the format of financial statement specified in Cai Kuai [2018] No. 15 during the reporting period
Other income	24,448,764.78	61,421,306.20	-36,972,541.42	-60.19%	Decrease in government grants received for this item during the reporting period
Investment income	-123,820,055.10	147,443,555.81	-271,263,610.91	-183.98%	During the reporting period, financial derivatives recorded a RMB180 million delivery loss due to significant fluctuations in exchange rates, and a profit of RMB 74 million for the equity transfer of Yangzhou Company during the corresponding period last year
Gain on change in fair value	-423,444,863.37	3,235,961.60	-426,680,824.97	-13185.60%	The book floating losses in financial derivatives increased during the reporting period as a result of significant fluctuations in exchange rates
Gain on disposal of assets	-1,303,386.17	-	-1,303,386.17	Not applicable	Increased in loss on disposal of fixed assets during the reporting period
Non-operating income	553,503,531.77	864,146,362.48	-310,642,830.71	-35.95%	GSI, the subsidiary, recognised the net gain for relocation compensation of RMB538 million; land compensation of RMB827 million during last year
Non-operating expenses	63,787,435.36	12,968,552.72	50,818,882.64	391.86%	Huangpu Wenchong, the subsidiary, the arbitration settlement of the contract dispute confirmed the loss of the contract during the reporting period
Income tax expense	13,924,817.73	67,842,358.71	-53,917,540.98	-79.47%	Decrease in the profit during the reporting period, and a corresponding decrease in the current income tax expenses and deferred income tax expenses



**Changes of items in cash flow statement and explanation**

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change	Description
Net cash flows from operating activities	-1,544,910,134.23	-811,263,061.73	-733,647,072.50	Not applicable	Poor collection of receivables for civil ship under construction, and decrease in advances for ship progress fees during the reporting period, the collection was mainly concentrated at the delivery node
Net cash flows from investing activities	-1,792,361,694.28	2,072,753,688.11	-3,865,115,382.39	-186.47%	Decrease in net of release of pledge on fixed deposit during the reporting period
Net cash flows from financing activities	180,100,901.84	591,477,078.06	-411,376,176.22	-69.55%	Subsidiaries introduced external investors to repay borrowings during the reporting period

**ANALYTICAL STATEMENT OF ASSETS AND LIABILITIES**

Unit: Yuan Currency: RMB

Item	Amount at the end of current year	Proportion among total assets at the end of current year (%)	Amount at the end of last year	Proportion among total assets at the end of last year (%)	Change of amount at the end of current period compared with that of the end of last year (%)	Description
Financial assets held for trading	11,685,155.01	0.02	-	-	Not applicable	As restated <sup>Note</sup> ; 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
Financial assets at fair value through profit or loss	-	-	6,602,255.91	0.01	-100.00	
Notes and accounts receivable	2,693,105,872.48	5.67	1,818,643,780.17	3.89	48.08	Increase in ship-related progress due settlement as at the end of the year
Other receivables	326,086,350.28	0.69	184,559,239.76	0.39	76.68	Receivables from profit or loss on settlement date of the acquisition of Wenchong Dockyard as at the end of the year, and increase in refundable deposits
Inventories	4,955,993,857.79	10.44	10,436,569,035.60	22.32	-52.51	As restated <sup>Note</sup>
Contract assets	6,860,770,802.28	14.47	-	-	Not applicable	
Non-current assets due within one year	463,415,968.00	0.98	1,033,143,116.08	2.21	-55.15	Decrease in wealth management products due within one year
Other current assets	365,378,116.05	0.77	1,851,997,385.43	3.96	-80.27	Received VAT tax refund in the current period and decrease in debit balance of Taxes payable/ Value-Added Tax payable as at the end of the year
Long-term receivables	1,976,516,046.20	4.16	460,059,537.09	0.98	329.62	Recognised relocation compensation by GSI, a subsidiary of the Company

Available-for-sale financial assets	-	-	21,029,995.04	0.04	-100.00	As restated <sup>Note</sup> ; Changes in fair value of non-tradable equity instrument investments
Other equity investments	63,403,225.93	0.13	-	-	Not applicable	
Other non-current assets	80,251,531.97	0.17	199,020,072.23	0.43	-59.68	Relocation expenses are carried forward to current profit and loss during the year
Short-term borrowings	4,304,387,255.88	9.07	2,970,414,975.00	6.35	44.91	New short-term borrowings
Financial liabilities held for trading	431,894,056.78	0.91	-	-	Not applicable	As restated <sup>Note</sup> ; 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
Financial liabilities at fair value through profit or loss	-	-	3,366,294.31	0.01	-100.00	
Advances from customers	-	-	642,156,792.96	1.37	-100.00	As restated <sup>Note</sup> ; after adjustment, “other current liabilities” increased by 32.74% as compared with the beginning of the period, mainly due to the increases in the sales tax to be transferred and the advances from customers for shipbuilding orders cancelled
Contract liabilities	7,112,391,961.78	14.98	-	-	Not applicable	
Estimated liabilities	802,016,709.10	1.69	540,745,308.48	1.16	48.32	
Other non-current liabilities	182,190,818.20	0.38	5,544,483,602.13	11.86	-96.71	
Taxes payable	48,140,024.18	0.10	76,628,685.72	0.16	-37.18	Decrease in outstanding balance of property tax, land use tax and enterprise income tax as at the end of the year
Long term borrowings	4,339,619,500.00	9.14	9,795,157,000.00	20.95	-55.70	Repay the long term borrowings
Deferred income tax liabilities	8,950,648.02	0.02	1,412,563.62	0.00	533.65	As restated <sup>Note</sup>
Special reserve	1,226,639.50		2,096,705.90		-41.5	Decrease in the balance of provision for production safety fee made during the year
Undistributed profit	-2,153,702,475.37	-4.54	-255,300,411.53	-0.55	-	Operating loss during the year
Minority interests	4,628,972,858.86	9.75	1,510,397,568.26	3.23	206.47	Subsidiaries, GSI and Huangpu Wenchong introduced new shareholders during the year

Note: As a 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 Revenue and Financial Instruments”) in 2018, certain items in the balance sheet were remeasured and restated, while the amounts disclosed in the financial statements were not adjusted. For details on the changes in significant accounting policies and accounting estimates, see the notes to the financial statements. The items affected set out in the table are as follows (amount unit: yuan):

Items affected	1 January 2018 (Consolidated)		
	Before adjustments	Adjustment under the New Revenue Standard	After adjustment
Assets:			
Inventories	10,436,569,035.60	-5,585,336,649.54	4,851,232,386.06
Contract assets		6,131,763,949.38	6,131,763,949.38
Liabilities:			
Advances from customers	642,156,792.96	-642,156,792.96	0
Contract liabilities		6,411,599,314.91	6,411,599,314.91
Other current liabilities	5,544,483,602.13	-5,407,233,010.85	137,250,591.28
Estimated liabilities	540,745,308.48	213,765,630.11	754,510,938.59
Items affected	1 January 2018 (Consolidated)		
	Before adjustments	Adjustment under the New Revenue Standard	Before adjustments
Assets:			
Financial assets held for trading		6,602,255.91	6,602,255.91
Financial assets at fair value through profit or loss	6,602,255.91	-6,602,255.91	
Available-for-sale financial assets	21,029,995.04	-21,029,995.04	
Other equity investments		44,726,104.08	44,726,104.08
Liabilities:			
Financial liabilities held for trading		3,366,294.31	3,366,294.31
Financial liabilities at fair value through profit or loss	3,366,294.31	-3,366,294.31	
Deferred income tax liabilities	1,412,563.62	5,995,510.20	7,408,073.82

**Information on principal businesses by product**

Unit: Yuan Currency: RMB

Principal businesses by industry						
By industry	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Shipbuilding industry	19,002,635,540.52	19,149,600,183.64	-0.77	-16.20	-10.18	Decrease of 6.76 percentage points
Principal businesses by product						
By product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
(I) Shipbuilding products	15,074,500,138.56	15,211,331,860.89	-0.91	-16.34	-9.34	Decrease of 7.80 percentage points
1. Bulk carriers	838,481,272.71	802,765,072.63	4.26	16.77	11.85	Increase of 4.21 percentage points
2. Oil tankers	2,914,177,181.01	3,103,672,217.45	-6.50	-26.74	-17.94	Decrease of 11.41 percentage points
3. Containerships	1,948,012,116.47	1,862,609,466.00	4.38	28.33	36.43	Decrease of 5.67 percentage points
4. Special ships and others	9,373,829,568.37	9,442,285,104.81	-0.73	-20.60	-13.48	Decrease of 8.29 percentage points
(II) Offshore engineering products	1,431,752,144.31	1,585,077,615.70	-10.71	-33.39	-30.37	Decrease of 4.80 percentage points
(III) Maintenance and modification on	907,948,316.47	791,950,320.34	12.78	6.97	-0.89	Increase of 6.92 percentage points

ships						
(IV) Steel structure engineering	724,839,574.41	679,623,834.29	6.24	-28.19	-23.33	Decrease of 5.94 percentage points
(V) Electromechanical products and others	863,595,366.77	881,616,552.42	-2.09	33.10	52.29	Decrease of 12.86 percentage points
Principal business by region						
By region	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
China (including Hong Kong, Macau and Taiwan)	11,334,631,302.20	11,319,324,405.91	0.14	-25.83	-20.02	Decrease of 7.25 percentage points
Other regions in Asia	639,604,362.49	620,733,098.94	2.95	-69.59	-68.43	Decrease of 3.56 percentage points
Europe	3,945,030,525.19	4,196,153,405.24	-6.37	0.75	8.69	Decrease of 7.76 percentage points
Oceania	682,924,110.56	685,780,641.07	-0.42	85.73	73.36	Increase of 7.16 percentage points
North America	1,351,863,663.92	1,250,418,744.55	7.5	72.2	58.81	Increase of 7.80 percentage points
Africa	890,489,400.31	924,798,353.00	-3.85	1,217.52	3,004.26	Decrease of 59.78 percentage points
South America	158,092,175.85	152,391,534.93	3.61	1.51	20.16	Decrease of 14.96 percentage points
Total	19,002,635,540.52	19,149,600,183.64	-0.77	-16.20	-10.18	Decrease of 6.76 percentage points

During the Reporting Period, GSI completed the purchase of 100% equity of Wenchong Dockyard, and expanded its ship maintenance and modification business, modular non-ship business and environmental protection business. The acquisition constitutes a business combination under common control, and corresponding adjustments have been made in respect of the comparative information to the previous year.

During the Reporting Period, the Group's income from its principal business amounted to RMB19.003 billion, representing a year-on-year decrease of 16.20%, among them, income from the shipbuilding, offshore engineering and steel structure businesses recorded significant year-on-year decreases of 16.34%, 33.39% and 28.19%, respectively; income from maintenance and modification on ships and electromechanical products and others recorded year-on-year increases of 6.97% and 33.10%, respectively. Gross profit from principal business amounted to RMB-147 million, and gross profit margin amounted to -0.77%, representing a year-on-year decrease of 6.76 percentage points. Except the year-on-year increase in gross profit of the ship maintenance and modification business, the gross profits of other businesses have all decreased.

As for the structure of products, the percentage of income from the marine business remained stable at 87% to 89% of total income in both years. During the year, the shipbuilding business contributed 79.33% of income, representing a year-on-year decrease of 0.14 percentage points, the offshore engineering business contributed 7.53% of income, representing a year-on-year decrease of 1.94 percentage points; the percentage of income from ship maintenance, steel structure engineering and electromechanical products remained substantially consistent with last year.

#### (1) Shipbuilding business

Income from the shipbuilding business amounted to RMB15.075 billion, representing a year-on-year decrease of 16.34%. The main reason for the year-on-year change in income was the decrease in income from the shipbuilding business due to later-than-expected undertaking of some ship orders, the construction of first-hand vessels and short production preparations, and the adverse impact on shipbuilding production caused by the relocation of the holding subsidiary, GSI. With the commencement of new secured orders and the gradual elimination of the impact of relocation, the shipbuilding output has gradually increased from the fourth quarter of 2018, the production and materials lines have gradually become balanced, and provide a solid foundation for increasing production speed.

#### (2) Offshore engineering business

Income from the offshore engineering business amounted to RMB1.432 billion, representing a year-on-year decrease of 33.39%, mainly due to the global marine engineering equipment market. Huangpu Wenchong sold some of its finished products to its controlling subsidiaries Wah Loong International Marine Limited and Wah Shun International Marine Limited for operation and leasing.

#### (3) Maintenance and modification on ships

Income from the business of maintenance and modification on ships amounted to RMB908 million, representing a year-on-year increase of 6.97%, mainly due to the expansion of full life support business during the Reporting Period.

#### (4) Steel structure engineering business

Income from steel structure engineering business amounted to RMB725 million, representing a year-on-year decrease of 28.19%, the main reason for the year-on-year change in income was the fact that the production capacity could not be released due to the relocation of Yonglian Company, a subsidiary of GSI to Zhongshan. During the Reporting Period, for the steel structure engineering business, the Group achieved major breakthroughs in operation and production with undertaking the Shenzhen-Zhongshan Channel immersed-tube steel-shell project, other plant structures, wind power jackets and bridges, which have further consolidated the Group's advantages in

the non-ship industry.

(5) Electromechanical products and other business

Income from electromechanical products and other businesses amounted to RMB864 million, representing a year-on-year increase of 33.10%, mainly because of the significant growth of the planer, high-power and large-format laser cutting machine, incinerator, old buildings with elevators and ship elevator business resulting from the investment in the research and development of electromechanical products during the Reporting Period.

By geographic region, operating income from China (including Hong Kong, Macau and Taiwan) decreased by 25.83% and operating income from overseas markets increased by 3.69% compared with last year. The Group will actively respond to the adverse effects arising from the fact that the global shipbuilding industry remained at a slump and competition among domestic and foreign shipbuilders intensified. The Company will make use of its own strengths, take active initiatives, resolutely perform the main responsibility of “improving military products”, strengthen the operation and management of civil products, and vigorously develop domestic and overseas markets.



## COST ANALYSIS BY PRODUCT

Unit: RMB in ten thousand

By industry							
By industry	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount for the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description Explanation
Shipbuilding industry	Direct materials	1,209,363.10	63.15	1,334,729.57	62.61	-9.39	
	Processing costs	735,522.66	38.41	809,003.18	37.95	-9.08	
	Impairment loss	-29,925.74	-1.56	-11,797.38	-0.55	153.66	Note 1
By product							
By product	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount for the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description Explanation
Shipbuilding products	Direct materials	981,354.33	51.25	1,083,904.47	50.84	-9.46	
	Processing costs	562,687.43	29.38	605,731.12	28.41	-7.11	
	Impairment loss	-22,908.57	-1.2	-11,797.38	-0.55	94.18	Note 1
Offshore engineering products	Direct materials	113,506.95	5.93	161,494.74	7.58	-29.71	
	Processing costs	51,763.24	2.7	66,160.31	3.10	-21.76	
	Impairment loss	-6,762.43	-0.35	0.00	-		
Maintenance and modification on ships	Direct materials	18,880.52	0.99	20,796.82	0.98	-9.21	
	Processing costs	60,314.51	3.15	59,111.55	2.77	2.04	
	Impairment loss	0	0	0.00	-		
Steel structure engineering	Direct materials	40,202.98	2.1	49,343.26	2.31	-18.52	
	Processing costs	27,759.40	1.45	39,300.33	1.84	-29.37	
	Impairment loss	0	0	0.00	-		
Electromechanical products and others	Direct materials	55,418.32	2.89	19,190.29	0.90	188.78	Note 2
	Processing costs	32,998.08	1.72	38,699.86	1.82	-14.73	Note 2
	Impairment loss	-254.74	-0.01	0.00	-		

The table above set out the breakdown of cost of principal business of the Group by product. The analysis only

focuses on the cost of principal business.

Note 1: "Impairment loss" was negative as the provision for impairment of inventories previously made was reversed to offset the cost of principal business upon recognition of gross profit when the progress of shipbuilding under long-term performing contracts reaches 30% (for non-first-made shipbuilding contracts) or 50% (for first-made shipbuilding contracts) during the Reporting Period. The reversal of provision for impairment of construction-in-progress was RMB299,257,400 during the Reporting Period, representing a year-on-year increase of RMB 181,283,600, mainly due to the year-on-year increase in the provision made for loss-making shipbuilding contracts under construction for which the condition to revenue recognition has been met.

Note 2: During the Reporting Period, the direct material cost of electromechanical products and other businesses incurred was RMB554,183,200, representing a year-on-year increase of 188.78%; processing cost incurred was RMB329,980,800, representing a year-on-year decrease of 14.73% mainly due to the facts that, on the one hand, the increase in sales of this segment during the Reporting Period, income increased by 33.10% year on year, and cost of materials consumed and processing cost increased accordingly; on the other hand, cost of materials accounted for a large portion of cost during the Reporting Period as a result of the difference in product structure during the Reporting Period.

## **INFORMATION OF RAISED CAPITAL INVESTMENT PROJECTS**

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), the Company issued 42,559,089 A Shares through private placement to 7 specific investors at an issue price of RMB37.78 each, raising total proceeds of RMB1,607,882,382.42 and net proceeds of RMB1,541,373,292.57, net of issue expenses of RMB66,509,089.85. Of the raised proceeds, RMB104,959,959.97 was utilised for replenishment of the working capital of COMEC, and the special account established for such part of the proceeds was closed in May 2015; RMB680,408,300.00 was utilised for payment to CSSC of the consideration for 15% equity interest in Huangpu Wenchong during the restructuring, and the special account established for such part of the proceeds was closed in May 2015; RMB333,836,243.90 was utilised for replenishment of the working capital of GSI Yangzhou Co., Ltd. ("GSI Yangzhou") for utilisation of the shipbuilding assets of former Yangzhou Kejin Shipyard Co., Ltd. ("Yangzhou Kejin"), and the special account established for such part of the proceeds was closed in May 2015; RMB42,168,788.70 was utilised for replenishment of the working capital of Huangpu Wenchong, and the special account established for such part of the proceeds was closed in August 2015; RMB380,000,000.00 was utilised for supplementing and improvement of maritime engineering equipment production facilities in Longxue Factory of Huangpu Wenchong. As of 31 December 2018, the funds raised had been used, and the special account established for such part of the proceeds was closed in March 2019.

On 27 November 2015, Huangpu Wenchong purchased Zhiying Series Renminbi Structured Wealth Management Products issued by China CITIC Bank Corporation Limited with RMB 0.21 billion out of its temporarily unutilised proceeds raised. On 8 April and 11 April 2016, Huangpu Wenchong purchased CITIC Xinying Series Bu Bu Gao Sheng No. 4 Renminbi Wealth Management Products (for Institutions Only), a floating income product with guaranteed principal repayment issued by China CITIC Bank Corporation Limited, with RMB50 million and RMB55 million, respectively, out of its temporarily unutilised proceeds raised. On 11 August 2016, Huangpu Wenchong purchased CITIC Gongying Principal-protected Wealth Management Products issued by China CITIC Bank Corporation Limited with RMB80 million out of its temporarily unutilised proceeds raised. To date, the

Zhiying Series Renminbi Structured Wealth Management Products purchased by Huangpu Wenchong on 27 November 2015 expired on 30 December 2015, 1 March 2016, 25 March 2016 and 25 May 2016, respectively, and the income from and interest have been repaid as scheduled, with investment income totalling RMB1,914,610.95. The CITIC Xinying Series Bu Bu Gao Sheng No. 4 Renminbi Wealth Management Products (for Institutions Only) purchased by Huangpu Wenchong on 8 and 11 April 2016, respectively, expired on 29 July 2016, and the income from and interest has been repaid as scheduled, with investment income totalling RMB942,657.54. The CITIC Gongying Principal-protected Wealth Management Products purchased by Huangpu Wenchong on 11 August 2016 expired on 14 September 2016 and 11 November 2016, respectively, and the income from and interest has been repaid as scheduled, with investment income totalling RMB430,671.23. (For details, please refer to the announcements of the Company dated 31 December 2015, 1 March 2016, 25 May 2016, 29 July 2016, 1 August 2016, 12 August 2016, 20 September 2016 and 14 November 2016, respectively, on the websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company). During the Reporting Period, the Company has not applied any temporarily unutilised proceeds towards purchases of wealth management products. So far, all the funds raised have been used.

## RESEARCH AND DEVELOPMENT EXPENSES

Unit: RMB

Research and development expenses recorded as expenses during the period	665,830,255.36
Total research and development expenses	665,830,255.36
Percentage of total research and development expenses over operating income (%)	3.47
Number of research and development staff (person)	2,320
Number of research and development staff over total number of staff (%)	14.63

Description: In 2018, the Group actively pushed forward technological innovations and deeply explored its technological potential. As a result, its overall technological research and development capability continued to improve, with a total of 175 technological research and development projects, including 41 key technological research and development projects for the year. In respect of external projects, the cooperation with scientific research institutes was strengthened. In addition, in light of the requirements for the strategic transformation of the Company, it continued to facilitate the research and development of new products, process improvement and digital and smart manufacturing technologies; and the efforts and support for maritime engineering equipment, polar ships, semi-submersible engineering ships, luxury Ro-ro passenger ships, next-generation energy-saving and environmentally-friendly ships, smart ships and non-ship products were reinforced.

## EXTERNAL EQUITY INVESTMENT

In 2018, the balance of the Group's long-term equity investments amounted to RMB740,935,300, which was mainly for investment in joint ventures, and amounted to an increase of 0.40% over the beginning of the year.

On 30 September 2018, Huangpu Wenchong established the China Shipbuilding Industry Internet Co., Ltd., registered in Huangpu District, Guangzhou City, Guangdong Province, with a registered capital of RMB50 million, all of which were self-raised funds, which were 100% owned by Huangpu Wenchong. The business scope was mainly Internet and related services.

On 24 December 2018, GSI completed the acquisition of 100% equity of Wenchong Dockyard with its own funds of RMB498 million. The registered address of Wenchong Dockyard was Nansha District, Guangzhou City, Guangdong Province, with a registered capital of RMB1,643,841,000. Its business scope is railway, shipbuilding, aviation aerospace and other transportation equipment manufacturing. For details of the transactions, please refer to “Announcement on cash acquisition assets and connected transaction of holding subsidiaries of COMEC” and “Announcement on resolutions of the Second Extraordinary General Meeting of 2018 of COMEC” published on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) dated 19 October 2018 and 5 December 2018, respectively.

## SIGNIFICANT ISSUES

### 1、Leasing

Unit: RMB in ten thousand currency: RMB

Lessor Name	Lessee Name	Leased assets	Leased assets involved in the amount	Date of commencement of lease	Date of expiry of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not	Relationship
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 commences at the new plant	-	-	-	Yes	Sister company of the Group

#### Description of leases

In 2014, Guangzhou Ship Industrial Company Limited, Huangpu Wenchong and Wenchong Shipyard entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Company shall lease its land use rights in relation to the land at the Changzhou Plant and part of the land at the Wenchong Plant to Huangpu Wenchong and Wenchong Shipyard for operational usage. The rent for the land use rights shall be determined based on the

principle of asset depreciation, and amortisation of taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use rights commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong and Wenchong Shipyard is completed and commences formal production at its new plant.

## 2、Guarantees

Unit: Yuan Currency: RMB

Total amount of guarantees provided by the Company (including those provided for its subsidiaries)	
Total amount of guarantees provided for its subsidiaries during the Reporting Period	2,300,000,000.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	1,032,000,000.00
Total amount of guarantees	1,032,000,000.00
Total amount of guarantees as a percentage of the Company's net assets (%)	7.19
Note on guarantees	During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB1.032 billion, all of them are guarantees provided by the Company's controlling subsidiary, Huangpu Wenchong, to its wholly-owned subsidiary, Wenchong Shipyard. The guarantee projects are financing project guarantees and bank credit line guarantees. 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.

## CAPITAL LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group had long-term borrowings of RMB4.34 billion, cash and cash equivalents prepared under the PRC Accounting Standards for Business Enterprises amounted to RMB8.537 billion.

## CHARGES ON GROUP ASSETS

As at 31 December 2018, the Group had no fixed assets pledged for bank financing.

## Contingent Liabilities

As at 31 December 2018, the Group had no significant contingent liabilities.

## GEARING RATIO

As at 31 December 2018, the Company's gearing ratio was 69.76%.

The calculation formula of the gearing ratio: total liabilities ÷ total assets × 100%

## EMPLOYEES, REMUNERATION AND TRAINING

The remuneration of the employees of the Company and its subsidiaries includes salary, rewards, and other welfare programs regulated by the PRC government. Subject to the relevant PRC laws and regulations, the Company implements its salary system in accordance with employees' positions and performance, etc. The Company and its subsidiaries have formulated training plans for implementation in view of changes in strategic development, product structure and the needs of staff development. Through arranging all staff to participate in learning all sorts of business operations knowledge, the Company believes that the trainings will result in comprehensive improvement of employees' integrated quality and positional competence, which will provide effective protection of human resources for the Company's operation and development.

## CHANGES IN SHARE CAPITAL

	Before the change		Increase or decrease ( +, - )					After the change	
	Number	Percentage (%)	New shares issued	Bonus	Conversion from reserve	Others	Sub-total	Number	Percentage (%)
I. Listed tradable shares	1,413,506,378	100	0	-	-	-	0	1,413,506,378	100
1、 Ordinary shares denominated in Renminbi	821,435,181	58.12	0	-	-	-	0	821,435,181	58.12
2、 Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3、 Overseas listed foreign shares	592,071,197	41.88	0	-	-	-	-	592,071,197	41.88
4、 Others	-	-	-	-	-	-	-	-	-
II. Total number of ordinary shares	1,413,506,378	100	0	-	-	-	0	1,413,506,378	100

## SHARE STRUCTURE

Class	Number	Percentage (%)
1.PRC listed domestic shares	821,435,181	58.12
(1) State-owned shares	501,745,100	35.50
(2) Ordinary shares denominated in Renminbi	319,690,081	22.62
2. Overseas listed foreign shares	592,071,197	41.88
Total	1,413,506,378	100

(1) During the Reporting Period, the Company did not have any arrangement for bonus issue, share allotment or transfer and increase of share capital. As at the end of the Reporting Period, the Company had no internal staff shares.

(2) There were no changes to the total number of ordinary shares and share structure of the Company during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

Neither the Company nor its subsidiaries has made any repurchase, sale or redemption of the Company's securities during the Reporting Period.

## **CORPORATE GOVERNANCE**

The Company always strictly conforms to the Company Law of the PRC and the Securities Law of the PRC, the relevant regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (the "Listing Rules") by continuously improving its corporate governance structure and standardizing its operations. During the Reporting Period, the Company's governance had no material deviations from the Company Law of the PRC and relevant regulations issued by the China Securities Regulatory Commission. The Company has adopted the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "CG Code") as the corporate governance code of the Company. During the Reporting Period, the Company has been in strict compliance with the principles and code provisions and certain recommended best practices set out in the CG Code. During the Reporting Period, the Company has been in compliance with Rule 3.10(1) of the Listing Rules which prescribes that there shall be at least three independent non-executive directors, and Rule 3.10A of the Listing Rules which prescribes that at least one-third of the board of directors shall comprise independent non-executive directors. In addition, the Company has received annual confirmations of independence issued by each independent non-executive director in accordance with Rule 3.13 of the Listing Rules. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Listing Rules. The Board comprises 11 directors, including 6 executive directors, 1 non-executive directors and 4 independent non-executive directors. Members of the Board have different industry backgrounds and expertise in corporate governance, finance and accounting, investment strategies, maritime engineering and equipment and legal affairs. Details of the members of the Board will be set out in the section headed "Directors, supervisors, senior management and staff" in the 2018 annual report.

### **Audit Committee**

The Audit Committee of the Company has reviewed and confirmed the annual financial reports for the year 2017 of the Company.



## OUTLOOK

### 1. Industry Landscape and Trend

#### (1) The shipbuilding market is expected to recover

In the long run, firstly, the global shipping industry and shipbuilding industry have experienced a decade-long depression. With the slow growth of capacity and the rebound of international oil prices, the international shipping market and offshore engineering market are expected to further improve. What's more, the gradual implementation of regulations, conventions and standards of shipbuilding industry's energy conservation and environmental protection will promote the upgrading of marine products and make low-emission, low-energy and environmentally-friendly ships the first choice for shipowners at home and abroad. It is expected that the demand of global civilian ship construction market will increase steadily and the prices of new and environmentally-friendly ships will rise. Secondly, the national development strategy of building a maritime power and a manufacturing power, and the principle of a strong military must first reinforce its equipment, as well as the rapid development in the fields of offshore wind power, marine pastures, marine mining, marine technology and equipment, brought about good opportunities for the construction of defense equipment such as naval equipment and maritime rights enforcement equipment and the development of offshore wind power product manufacturing, installation and operation business.

In the short term, it is expected that the international environment will remain complicated in 2019, and the overall economic and trade situation in the world is not optimistic. The global new ship volume will remain at a range between 70,000,000-80,000,000 DWT. From the perspective of subdivided ship types, the bulk carrier market is expected to be relatively stable, the crude oil ship market will further weaken, the product oil tanker market may be in a booming trend, and the polarization of the container ship market will continue. In addition, the liquefied gas vessel market is expected to maintain a certain popularity, but on the other hand, in the situation that the shipbuilding capacity is still excessive, the shipyards' competition for orders will also continue. Shipbuilding cost factors such as raw material prices and exchange rate trends will remain the key factors that affect the prices of new ships.

#### (2) Shipbuilding enterprises transform and upgrade to high-quality development

The "Special Management Measures for Foreign Investment Access (Negative List) (2018 Version)", China's "Action Plan for Improving the Smart Transformation of Shipbuilding Construction Project (2019-2021)", and "Action Plan for Smart Ship Development (2019-2021)", have comprehensively accommodated the development needs of the transformation of China's shipbuilding industry in the new era, fully considered the current development trend of smart manufacturing and economic globalization and strengthened the leading role of innovation to promote the shipbuilding enterprises to accelerate their innovation pace, inserting positive impacts on the informatization and intelligence-based and high-quality development of the shipbuilding industry.

### 2. Development Strategies of the Company

The Group is committed to becoming a leading enterprise in the global marine and heavy equipment market with leading technologies, prominent services, and a building and supporting facility for Chinese marine defence equipment.

In the face of the new normal development status of the ship market, the Group, by adhering to its corporate values of “innovation, efficiency and win-win cooperation”, will fully implement the major strategies of the “Belt and Road Initiative”, integrated development of military, and building strong manufacturing power and marine power. With “optimising structure, deepening reform and innovative development” as the main theme, the Group will further make its core shipbuilding and maritime activities stronger, better and bigger, while vigorously developing emerging industries, accelerating transformation and upgrading to realize high-quality development.

The Company is committed to developing maritime equipment manufacturing and strives to improve its military product business in terms of strategic planning, technical innovations, military product management, full life support and military culture. It will strengthen the research on the marine business, keep a close eye on market demand, and accelerate the pace of innovation. It will conduct research on advanced technologies, further strengthen its advantageous products, focus on the areas such as smart ships, polar module carriers, luxury Ro-ro passenger ships, special ships and overseas wind farms, and continue to facilitate the transformation and upgrading of its product mix. It will accelerate the in-depth integration of military products and civil products in innovative elements including technology, talents and fund to realize the coordinated and innovative development of military and civil products. It will deeply facilitate the “moderate, limited and related diversification” by actively establishing presence in emerging industries, accelerating the development and cultivation of high-quality resources, and strive to achieve new growth, in order to provide new driving forces for the Company to withstand market risks and improve financial performance. In the meantime, the Group will comprehensively improve its management in terms of the integration of military and civil products, coordination of resource allocation, staff structure optimisation and enhanced cost management and control, promote the improvement in quality and performance, and further expand its room for profit.

## **BUSINESS PLAN FOR 2019**

In 2018, the Group recorded an operating income of RMB19.214 billion, representing 89.24% of the annual target; and secured orders with contract value of RMB24.129 billion, representing exceeding 3.46% of the annual target.

In 2019, the Group plans to realize operating income of RMB21.6 billion and to secure orders with contract value of RMB29 billion. The Group will continue to deepen reform, strengthen innovations, and actively cope with challenges to ensure steady growth of production and operation. It will continue to advance diversified development, accelerate expansion into emerging industries, and strive to improve quality and performance through cost control, optimised management and resource consolidation and other means in order to realize the business plan for 2019.

The business objectives above do not represent the profit forecast of the Company for 2019, nor do they constitute undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investment risks.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This final results announcement has been published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([comec.cssc.net.cn](http://comec.cssc.net.cn)). The Company's annual report for the year ended 31 December 2018 containing all the information required by the Listing Rules will be dispatched to the shareholders and will be published on the websites above in due course.

## **PUBLICATION OF SOCIAL RESPONSIBILITY REPORT**

The Social Responsibility Report of the Company for the year 2018 (including the environmental, social and governance report prepared in accordance with the Environmental, Social and Governance Guide set out in the Hong Kong Listing Rules) has been published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) on 22 March 2019.

## **ACKNOWLEDGEMENT**

The Board would like to extend its gratitude to customers for their trust in the Company, to all shareholders for their support for the Company, and to employees for their efforts and contributions to the Company's development.

By order of the Board

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

**Chairman**

**Han Guangde**

Guangzhou, 22 March 2019

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

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

(Amounts denominated in Renminbi unless otherwise specified)

**Consolidated Balance Sheet**

31 December 2018

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

Unit: RMB

Item	2018-12-31	2017-12-31
<b>Current assets:</b>		
Cash at bank and on hand	10,337,887,158.50	12,210,331,068.62
Financial assets held for trading	11,685,155.01	
Financial assets at fair value through profit or loss		6,602,255.91
Derivative financial assets		
Notes and accounts receivable	2,693,105,872.48	1,818,643,780.17
Prepayments	3,020,857,780.23	2,527,490,871.22
Other receivables	326,086,350.28	184,559,239.76
Inventories	4,955,993,857.79	10,436,569,035.60
Contract assets	6,860,770,802.28	
Assets held for sale		
Non-current assets due within one year	463,415,968.00	1,033,143,116.08
Other current assets	365,378,116.05	1,851,997,385.43
<b>Total current assets</b>	<b>29,035,181,060.62</b>	<b>30,069,336,752.79</b>
<b>Non-current assets:</b>		
Debt investments		
Held-to-maturity investments		21,029,995.04
Other debt investments		
Long-term receivables	1,976,516,046.20	460,059,537.09
Long-term equity investments	740,935,298.11	738,018,660.57
Other equity instrument investments	63,403,225.93	
Other non-current financial assets		
Investment properties	21,622,651.52	22,251,363.68
Fixed assets	12,046,436,020.38	11,746,560,359.34
Construction in progress	762,567,676.87	697,131,740.77
Productive biological assets		
Oil and gas assets		
Intangible assets	2,084,830,278.97	2,106,502,925.06
Development expenses		
Goodwill	144,231,195.67	144,231,195.67
Long-term prepaid expenses	79,285,603.23	88,534,537.73
Deferred tax assets	440,083,496.90	460,427,215.85
Other non-current assets	80,251,531.97	199,020,072.23
<b>Total non-current assets</b>	<b>18,440,163,025.75</b>	<b>16,683,767,603.03</b>
<b>Total assets</b>	<b>47,475,344,086.37</b>	<b>46,753,104,355.82</b>

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

**Consolidated Balance Sheet (Continued)**

31 December 2018

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

Item	2018-12-31	2017-12-31
<b>Current liabilities:</b>		
Short-term borrowings	4,304,387,255.88	2,970,414,975.00
Financial liabilities held for trading	431,894,056.78	
Financial liabilities at fair value through profit or loss		3,366,294.31
Derivative financial liabilities		
Notes and accounts payable	10,689,228,547.46	9,630,554,420.09
Advances from customers		642,156,792.96
Contract liabilities	7,112,391,961.78	
Employee benefits payable	41,351,166.51	43,914,558.18
Taxes payable	48,140,024.18	76,628,685.72
Other payables	336,922,424.57	282,069,610.65
Liabilities held for sale		
Non-current liabilities due within one year	4,414,000,000.00	4,482,400,000.00
Other current liabilities	182,190,818.20	5,544,483,602.13
<b>Total current liabilities</b>	<b>27,560,506,255.36</b>	<b>23,675,988,939.04</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	4,339,619,500.00	9,795,157,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables	99,370,000.00	99,370,000.00
Long-term employee benefits payable	248,554,297.66	273,426,011.04
Estimated liabilities	802,016,709.10	540,745,308.48
Deferred income	59,916,128.16	47,514,683.60
Deferred tax liabilities	8,950,648.02	1,412,563.62
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>5,558,427,282.94</b>	<b>10,757,625,566.74</b>
<b>Total liabilities</b>	<b>33,118,933,538.30</b>	<b>34,433,614,505.78</b>
<b>Owners' equity:</b>		
Owners' equity:	1,413,506,378.00	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	9,549,580,748.34	8,746,675,613.33
Less: Treasury shares		
Other comprehensive income	-45,615,426.57	-60,327,829.23
Special reserve	1,226,639.50	2,096,705.90

Item	2018-12-31	2017-12-31
Surplus reserve	962,441,825.31	962,441,825.31
Provision for general risks		
Undistributed profit	-2,153,702,475.37	-255,300,411.53
<b>Total equity attributable to shareholders of the Company</b>	<b>9,727,437,689.21</b>	<b>10,809,092,281.78</b>
Minority interests	4,628,972,858.86	1,510,397,568.26
<b>Total equity</b>	<b>14,356,410,548.07</b>	<b>12,319,489,850.04</b>
Total liabilities and equity	<b>47,475,344,086.37</b>	<b>46,753,104,355.82</b>

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

### Balance Sheet of the Company

31 December 2018

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

Item	2018-12-31	2017-12-31
<b>Current assets:</b>		
Cash at bank and on hand	99,371,121.05	513,258,307.19
Financial assets held for trading		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes and accounts receivable	46,428,670.20	34,915,043.87
Prepayments	2,100,230.64	1,861,905.00
Other receivables	9,520,031.06	9,532,248.57
Inventories	98,897,393.27	131,196,488.58
Contract assets		
Assets held for sale		
Non-current assets due within one year		650,000,000.00
Other current assets	761,163,163.71	282,058,591.92
<b>Total current assets</b>	<b>1,017,480,609.93</b>	<b>1,622,822,585.13</b>
<b>Non-current assets:</b>		
Debt investments		
Held-to-maturity investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	7,921,435,986.83	7,902,205,154.63
Other equity instrument investments		
Other non-current financial assets		
Investment properties		
Fixed assets	70,839,970.49	76,780,630.19
Construction in progress		
Productive biological assets		
Oil and gas assets		

Item	2018-12-31	2017-12-31
Intangible assets	10,468,726.74	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	633,860,105.78	2,776,042.97
<b>Total non-current assets</b>	<b>8,656,604,789.84</b>	<b>8,012,556,201.93</b>
<b>Total assets</b>	<b>9,674,085,399.77</b>	<b>9,635,378,787.06</b>

Legal representative: Han Guangde Person in charge of accounting: HouZengquan Head of accounting department: XieWeihong

### Balance Sheet of the Company (Continued)

31 December 2018

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

Item	2018-12-31	2017-12-31
<b>Current liabilities:</b>		
Short-term borrowings	650,000,000.00	100,000,000.00
Financial liabilities held for trading		
Derivative financial liabilities		
Notes and accounts payable	58,845,591.58	65,977,190.78
Advances from customers		55,310,128.61
Contract liabilities	65,497,566.97	
Employee benefits payable		1,611,226.23
Taxes payable	3,217,292.29	4,115,201.43
Other payables	41,994,848.71	30,599,065.08
Liabilities held for sale		
Non-current liabilities due within one year		500,000,000.00
Other current liabilities	77,418.16	
<b>Total current liabilities</b>	<b>819,632,717.71</b>	<b>757,612,812.13</b>
<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>	<b>99,370,000.00</b>	<b>99,370,000.00</b>
<b>Total liabilities</b>	<b>919,002,717.71</b>	<b>856,982,812.13</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	6,147,927,729.10	6,147,927,729.10

Item	2018-12-31	2017-12-31
Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	472,670,941.45	472,670,941.45
Undistributed profit	720,977,633.51	744,290,926.38
<b>Total equity</b>	<b>8,755,082,682.06</b>	<b>8,778,395,974.93</b>
<b>Total liabilities and equity</b>	<b>9,674,085,399.77</b>	<b>9,635,378,787.06</b>

Legal representative: Han Guangde Person in charge of accounting: HouZengquan Head of accounting department: XieWeihong

### Consolidated Income Statement

2018

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

Unit: RMB

Item	Current year	Last year
<b>I. Operating income</b>	<b>19,213,596,394.03</b>	<b>22,920,207,488.39</b>
Less : Operating cost	19,262,469,746.28	21,501,523,820.76
Taxes and surcharges	65,299,430.11	81,300,224.30
Selling expense	86,255,214.60	187,801,076.38
Administrative expense	892,844,116.09	953,865,433.81
Research and development expense	497,562,636.51	408,186,557.71
Finance cost	118,473,501.83	625,785,077.16
Including: Interest expense	370,303,935.69	477,943,243.68
Interest income	235,693,676.79	173,183,322.73
Loss on impairment of assets	677,141,653.24	203,038,462.10
Loss on impairment of credit	39,371,984.45	
Add: Other income	24,448,764.78	61,421,306.20
Investment income (loss expressed with “-”)	-123,820,055.10	147,443,555.81
Including: Income from investments in associates and joint ventures	-8,308,324.83	-1,600,524.97
Gains on net exposure hedges (loss expressed with “-”)	-	-
Gains from changes of fair value (loss expressed with “-”)	-423,444,863.37	3,235,961.60
Gain on disposal of assets (loss expressed with “-”)	-1,303,386.17	-
<b>II. Operating profit</b> (loss expressed with “-”)	<b>-2,949,941,428.94</b>	<b>-829,192,340.22</b>
Add: Non-operating income	553,503,531.77	864,146,362.48
Less: Non-operating expenses	63,787,435.36	12,968,552.72
<b>III. Total profit</b> (loss expressed with “-”)	<b>-2,460,225,332.53</b>	<b>21,985,469.54</b>
Less: Income tax expense	13,924,817.73	67,842,358.71
<b>IV. Net profit</b> (net loss expressed with “-”)	<b>-2,474,150,150.26</b>	<b>-45,856,889.17</b>
<b>(I) According to operation continuity</b>		
1. Net profit attributable to continuing operations (net loss expressed with “-”)	-2,474,150,150.26	-50,491,244.29
2. Net profit attributable to discontinued operations (net loss expressed with “-”)		4,634,355.12
<b>(II) According to ownership</b>		
1. Net profit attributable to shareholders of the	-1,869,014,160.08	-50,507,587.08



Item	Current year	Last year
company		
2.Minority interest income or loss	-605,135,990.18	4,650,697.91
<b>V. Net amount of other comprehensive income after tax</b>	-740,992.56	112,712.71
Net amount of other comprehensive income after tax attributable to owners of the Company	-2,864,091.79	113,388.22
(I) Other comprehensive income not to be reclassified into profit or loss	-1,421,831.33	
1. Changes of the re-measurement of defined benefit plans		
2. Share of other comprehensive income of investee that may not be subsequently reclassified to profit and loss under equity method		
3. Change in fair value of other equity instruments investment	-1,421,831.33	
4. Change in fair value of credit risks of the Company		
(II) Other comprehensive income to be reclassified into profit or loss	-1,442,260.46	113,388.22
1. Other comprehensive income to be reclassified into profit or loss under equity method		-
2. Change in fair value of other debt investment		
3. Gain or loss on change in fair value of available-for-sale financial assets		180,263.16
3. Financial assets reclassified into other comprehensive income	-	
4. Provision of credit impairment of other debt investment	-	-
5. Cash flows hedging reserve		-
6. Exchange differences arising from translation of foreign currency financial statements	-1,442,260.46	-66,874.94
Net other comprehensive income after tax attributable to minority interests	2,123,099.23	-675.51
<b>VI. Total comprehensive income</b>	-2,474,891,142.82	-45,744,176.46
Total comprehensive income attributable to owners of the Company	-1,871,878,251.87	-50,394,198.86
Total comprehensive income attributable to minority interests	-603,012,890.95	4,650,022.40
<b>VII. Earnings per share:</b>		—
(i) Basic earnings per share	-1.3223	-0.0357
(ii) Diluted earnings per share	-1.3223	-0.0357

Legal representative: Han Guangde Person in charge of accounting: HouZengquan Head of accounting department: XieWeihong

### Income Statement of the Company

2018

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

Unit: RMB

Item	2018	2017
<b>I. Operating income</b>	207,969,649.39	160,111,825.52
Less: Operating costs	221,503,003.20	167,104,576.80

Item	2018	2017
Taxes and surcharges	2,112,282.31	2,689,987.40
Selling expense	3,724,331.10	3,756,904.29
Administrative expense	21,819,871.85	20,998,331.71
Research and development expense	625,000.00	
Finance cost	-26,863,462.00	-4,117,668.03
Including: Interest expense	10,735,743.06	11,889,076.42
Interest income	38,396,447.96	16,193,823.73
Loss on impairment of assets	-3,340,528.00	-5,510,754.29
Loss on impairment of credit	1,660,722.40	-
Add: Other income	114,028.44	19,256,097.30
Investment income (loss expressed with “-”)	-10,099,639.37	105,903,507.33
Including: Income from investments in associates and joint ventures	-10,099,639.37	825,284.83
Gains on net exposure hedges (loss expressed with “-”)		
Gains from changes of fair value (loss expressed with “-”)		
Gain on disposal of assets (loss expressed with “-”)		
<b>II. Operating profit</b> (Loss expressed with “-”)	-23,257,182.40	100,350,052.27
Add: Non-operating income	23,927.58	1,402,500.00
Less: Non-operating expenses	80,038.05	181,716.34
<b>III. Total profit</b> (loss expressed with “-”)	-23,313,292.87	101,570,835.93
Less: Income tax expense		
<b>IV. Net profit</b> (Net loss expressed with “-”)	-23,313,292.87	101,570,835.93
(I). Net profit attributable to continuing operations (net loss expressed with “-”)	-23,313,292.87	101,570,835.93
(II). Net profit attributable to discontinued operations (net loss expressed with “-”)		
<b>V. Net other comprehensive income after tax</b>		
Net other comprehensive income after tax attributable to owners of the company		
( I ) Other comprehensive income not to be reclassified into profit or loss		
1. Changes of the re-measurement of defined benefit plans		
2. Share of other comprehensive income of investee that may not be subsequently reclassified to profit and loss under equity method		
3. Changes in fair value of other equity instruments investment		
4. Change in fair value of credit risks of the Company		
( II ) Other comprehensive income to be reclassified to profit or loss		
1. Other comprehensive income to be classified into profit or loss under equity method		
2. Change in fair value of other debt investment		
3. Financial assets reclassified into other comprehensive income		
4. Provision of credit impairment of other debt		

Item	2018	2017
investment		
5. Cash flows hedging reserve		
6. Exchange differences arising from translation of foreign currency financial statements		
Net amount of other comprehensive income after tax attributable to minority shareholders		
<b>VI. Total comprehensive income</b>	-23,313,292.87	101,570,835.93
<b>VII. Earnings per share</b>		—
(i) Basic earnings per share		
(ii) Diluted earnings per share		

Legal representative: Han Guangde Person in charge of accounting: HouZengquan Head of accounting department: XieWeihong

### Consolidated Cash Flow Statement

2018

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

Unit: RMB

Item	2018	2017
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods or rendering of services	16,923,312,942.46	20,675,163,541.92
Cash received from tax refund	2,342,160,714.55	841,832,313.45
Other cash receipts relating to operating activities	621,756,406.29	1,376,005,605.30
<b>Sub-total of cash inflows from operating activities</b>	19,887,230,063.30	22,893,001,460.67
Cash paid for goods and services	18,016,394,572.45	20,419,876,240.20
Cash paid to and on behalf of employees	2,117,084,358.28	2,253,111,752.91
Payments of taxes	157,091,811.24	277,229,315.22
Other cash payments relating to operating activities	1,141,569,455.56	754,047,214.07
<b>Sub-total of cash outflows from operating activities</b>	21,432,140,197.53	23,704,264,522.40
<b>Net cash flow from operating activities</b>	-1,544,910,134.23	-811,263,061.73
<b>II. Cash flows from investing activities:</b>		
Cash receipts from disposal of investments	999,425,000.00	501,875,000.00
Cash receipts from investment income	14,298,810.80	60,897,959.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	847,560.03	2,902,384.39
Net cash received from disposal of subsidiaries and other business units	119,781.64	469,927,404.87
Other cash receipts relating to investing activities	894,996,962.96	2,912,865,141.44
<b>Sub-total of cash inflows from investing activities</b>	1,909,688,115.43	3,948,467,889.95
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	785,467,723.81	688,021,948.98
Cash paid for investments	892,033,674.31	229,983,128.40
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	2,024,548,411.59	957,709,124.46
<b>Sub-total of cash outflows from investing activities</b>	3,702,049,809.71	1,875,714,201.84

Item	2018	2017
<b>Net cash flow from investing activities</b>	-1,792,361,694.28	2,072,753,688.11
<b>III. Cash flows from financing activities:</b>		
Cash receipts from receiving investments	4,801,010,000.00	
Including: Cash received by subsidiaries from receiving investments made by minority interest	1,010,000.00	
Cash receipts from borrowings obtained	9,900,757,500.00	10,270,420,395.40
Other cash receipts relating to financing activities	116,790,000.00	168,640,000.00
<b>Sub-total of cash inflows from financing activities</b>	14,818,557,500.00	10,439,060,395.40
Cash paid for repayment of debts	14,206,367,596.69	9,327,604,887.80
Cash paid for dividends, profit distribution or interest expenses	431,085,601.47	518,662,429.54
Including: Dividends and profits paid by subsidiaries to minority interests	61,526.88	6,876,000.00
Other cash payments relating to financing activities	1,003,400.00	1,316,000.00
<b>Sub-total of cash outflows from financing activities</b>	14,638,456,598.16	9,847,583,317.34
<b>Net cash flow from financing activities</b>	180,100,901.84	591,477,078.06
IV. Effect of change in foreign exchange rate on cash and cash equivalents	59,404,170.35	-233,578,145.33
V. Net increase in cash and cash equivalents	-3,097,766,756.32	1,619,389,559.11
Add: Beginning balance of cash and cash equivalents	11,634,582,111.41	10,015,192,552.30
<b>VI. Ending balance of cash and cash equivalents</b>	8,536,815,355.09	11,634,582,111.41

Legal representative: Han Guangde Person in charge of accounting: HouZengquan Head of accounting department: XieWeihong

### Cash Flow Statement of the Company

2018

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

Unit: RMB

Item	2018	2017
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods or rendering of services	228,310,357.17	177,319,751.75
Cash received from tax refund	-	13,883,686.22
Other cash receipts relating to operating activities	22,705,205.23	84,961,536.15
<b>Sub-total of cash inflows from operating activities</b>	251,015,562.40	276,164,974.12
Cash paid for goods and services	189,111,561.88	153,777,564.74
Cash paid to and on behalf of employees	33,800,636.87	39,097,799.92
Payments of taxes	4,666,833.89	9,007,025.04
Other cash payments relating to operating activities	32,644,854.60	77,569,461.44
<b>Sub-total of cash outflows from operating activities</b>	260,223,887.24	279,451,851.14
<b>Net cash flow from operating activities</b>	-9,208,324.84	-3,286,877.02
<b>II. Cash flows from investing activities:</b>		
Cash receipts from disposal of investments		741,158,500.00
Cash receipts from investment income	669,528.43	29,280,048.42
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		288,200.00
Net cash received from disposal of subsidiaries and other business units		

Item	2018	2017
Other cash receipts relating to investing activities	956,513,027.80	544,064,076.41
<b>Sub-total of cash inflows from investing activities</b>	<b>957,182,556.23</b>	<b>1,314,790,824.83</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	768,301.67	236,787.22
Cash paid for investments	30,000,000.00	30,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	1,370,023,184.47	820,000,000.00
<b>Sub-total of cash outflows from investing activities</b>	<b>1,400,791,486.14</b>	<b>850,236,787.22</b>
<b>Net cash flow from investing activities</b>	<b>-443,608,929.91</b>	<b>464,554,037.61</b>
<b>III. Cash flows from financing activities:</b>		
Cash receipts from receiving investments		
Cash receipts from borrowings obtained	650,000,000.00	500,000,000.00
Other cash receipts relating to financing activities		
<b>Sub-total of cash inflows from financing activities</b>	<b>650,000,000.00</b>	<b>500,000,000.00</b>
Cash paid for repayment of debts	600,000,000.00	500,000,000.00
Cash paid for dividends, profit distribution or interest expenses	10,422,526.22	34,619,605.32
Other cash payments relating to financing activities		
<b>Sub-total of cash outflows from financing activities</b>	<b>610,422,526.22</b>	<b>534,619,605.32</b>
<b>Net cash flow from financing activities</b>	<b>39,577,473.78</b>	<b>-34,619,605.32</b>
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>-647,405.17</b>	<b>-1,417,482.60</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>-413,887,186.14</b>	<b>425,230,072.67</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>99,371,121.05</b>	<b>513,258,307.19</b>

Legal representative: Han Guangde Person in charge of accounting: HouZengquan Head of accounting department: XieWeihong

## **Highlights of Notes to Financial Statements**

### **I. Basis for Preparation of Financial Statements**

#### **(1) Basis for Preparation**

Based on going-concern assumption and transactions and events actually occurred, the consolidated financial statements of the Group have been prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, (hereinafter referred to as the “Accounting Standards for Business Enterprises”), and No. 15 of regulations on information disclosures of companies that issue public offering shares – General Rules of preparing financial reports (revised in 2014) issued by China Securities Regulatory Commission (the “CSRC”), the applicable disclosures required by Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the accounting policies and estimation as described in “IV. Significant Accounting Policies and Estimates” to the Notes of Financial Statements.

#### **(2) Going Concern**

The management of the Company has assessed the ability in continuing as a going concern for a period of 12 months from 31 December 2018. They are of the opinion that the existing financial situation can satisfy the Group's production and operation. Therefore, the financial statements have been prepared on the basis of the assumption of going concern.

### **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 give a true and fair view of information of the Company and the Group such as financial position and the results of operation and cash flows.

### **III. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

#### **(1) Changes in significant accounting policies**

##### **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:

① Accounting Standard for Business Enterprises No. 14 – Revenue (Amendment) (the “New Revenue Standard”)

② 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”)

- ③ Circular on the Format of Financial Statements of General Enterprises for 2018 (CaiKuai [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

① 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: At the date of contract, 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 RMB29,547,841.37, 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	46,753,104,355.82	546,427,299.84	47,299,531,655.66
Including: Inventories	10,436,569,035.60	-5,585,336,649.54	4,851,232,386.06
Contract assets	0.00	6,131,763,949.38	6,131,763,949.38
Total liabilities	34,433,614,505.78	575,975,141.21	35,009,589,646.99
Including: Advances from customers	642,156,792.96	-642,156,792.96	0.00
Contract liabilities	0.00	6,411,599,314.91	6,411,599,314.91
Other current liabilities	5,544,483,602.13	-5,407,233,010.85	137,250,591.28
Estimated liabilities	540,745,308.48	213,765,630.11	754,510,938.59
Total owners' equity	12,319,489,850.04	-29,547,841.37	12,289,942,008.67
Including: Undistributed profit	-255,300,411.53	-29,547,841.37	-284,848,252.90



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

Items affected	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
Including: Advances from customers	55,310,128.61	-55,310,128.61	
Contract liabilities		55,310,128.61	55,310,128.61

## ② 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)		
	Before adjustment	Adjustment under the New Standards for Financial Instruments	After adjustment
Total assets	46,753,104,355.82	23,731,942.26	46,776,836,298.08
Including: Financial assets held-for-trading		6,602,255.91	6,602,255.91
Financial assets at fair value through profit or loss	6,602,255.91	-6,602,255.91	
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	34,433,614,505.78	5,995,510.20	34,439,610,015.98
Including: Financial liabilities held-for-trading		3,366,294.31	3,366,294.31
Financial liabilities at fair value through profit or loss	3,366,294.31	-3,366,294.31	
Deferred tax liabilities	1,412,563.62	5,995,510.20	7,408,073.82
Total owners' equity	12,319,489,850.04	17,736,432.06	12,337,226,282.10
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.

### ③ Presentation of financial statements

The Group has prepared its financial statements for 2018 in accordance with the format of financial statements set out in CaiKuai [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	46,753,104,355.82		46,753,104,355.82
Including: Notes receivable	167,534,216.21	-167,534,216.21	
Accounts receivable	1,651,109,563.96	-1,651,109,563.96	
Notes and accounts receivable		1,818,643,780.17	1,818,643,780.17

Affected items in the consolidated balance sheet	31 December 2017		
	Before adjustment	Presentation and reclassification	After adjustment
Interest receivable	46,434,534.12	-46,434,534.12	
Other receivables	138,124,705.64	46,434,534.12	184,559,239.76
Fixed assets	11,746,529,227.03	31,132.31	11,746,560,359.34
Disposal of fixed assets	31,132.31	-31,132.31	
Total liabilities	34,433,614,505.78		34,433,614,505.78
Including: Notes payable	1,774,884,568.59	-1,774,884,568.59	
Accounts payable	7,855,669,851.50	-7,855,669,851.50	
Notes and accounts payable		9,630,554,420.09	9,630,554,420.09
Interest payable	15,896,189.07	-15,896,189.07	
Dividends payable	383,540.92	-383,540.92	
Other payables	265,789,880.66	16,279,729.99	282,069,610.65
Long-term payables		99,370,000.00	99,370,000.00
Special payables	99,370,000.00	-99,370,000.00	
Affected items in the Presentation and consolidated income statement	2017		
	Before adjustment	Presentation and reclassification	After adjustment
Administrative expenses	1,362,051,991.52	-408,186,557.71	953,865,433.81
Research and development expenses		408,186,557.71	408,186,557.71
Other income	61,379,130.19	42,176.01	61,421,306.20
Non-operating income	864,188,538.49	-42,176.01	864,146,362.48
Net profit	-45,856,889.17		-45,856,889.17

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

Affected items in the balancesheet of the Company	31 December 2017		
	Before adjustment	Presentation and reclassification	After adjustment
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	

Affected items in the balancesheet of the Company	31 December 2017		
	Before adjustment	Presentation and reclassification	After adjustment
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	

**(2) Changes in significant accounting estimates**

There is no need to disclose the significant changes in accounting estimates during the year.

**(3) The related items' adjustment of financial statements at the beginning of the year when the new financial instrument standards or new revenue standards is implemented for the first time**

**1) Consolidated Balance Sheet**

Unit: RMB

Item	2017-12-31	2018-1-1	Adjustment
<b>Current assets:</b>			
Cash at bank and on hand	12,210,331,068.62	12,210,331,068.62	
Settlement reserv			
Placements with banks and non-bank financial institutions			
Financial assets held for trading	Not Applicable	6,602,255.91	6,602,255.91
Financial assets at fair value through profit or loss	6,602,255.91	Not Applicable	-6,602,255.91
Derivative financial assets			
Notes and accounts receivable	1,818,643,780.17	1,818,643,780.17	
Including: Notes receivable	167,534,216.21	167,534,216.21	
Accounts receivable	1,651,109,563.96	1,651,109,563.96	
Prepayments	2,527,490,871.22	2,527,490,871.22	
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	184,559,239.76	184,559,239.76	
Including: Interest receivable	46,434,534.12	46,434,534.12	
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	10,436,569,035.60	4,851,232,386.06	-5,585,336,649.54
Contract assets	Not Applicable	6,131,763,949.38	6,131,763,949.38

<b>Item</b>	<b>2017-12-31</b>	<b>2018-1-1</b>	<b>Adjustment</b>
Assets held for sale			
Non-current assets due within one year	1,033,143,116.08	1,033,143,116.08	
Other current assets	1,851,997,385.43	1,851,997,385.43	-
<b>Total current assets</b>	<b>30,069,336,752.79</b>	<b>30,615,764,052.63</b>	<b>546,427,299.84</b>
<b>Non-current assets:</b>			
Loans and advances granted			
Debt investments	Not Applicable		
Held-to-maturity investments	21,029,995.04	Not Applicable	-21,029,995.04
Other debt investments	Not Applicable		
Held-to-maturity investments		Not Applicable	
Long-term receivables	460,059,537.09	460,059,537.09	
Long-term equity investments	738,018,660.57	738,018,660.57	
Other equity instrument investments	Not Applicable	44,726,104.08	44,726,104.08
Other non-current financial assets	Not Applicable		
Investment properties	22,251,363.68	22,251,363.68	
Fixed assets	11,746,560,359.34	11,746,560,359.34	
Construction in progress	697,131,740.77	697,131,740.77	
Productive biological assets			
Oil and gas assets			
Intangible assets	2,106,502,925.06	2,106,502,925.06	
Development expenses			
Goodwill	144,231,195.67	144,231,195.67	
Long-term prepaid expenses	88,534,537.73	88,534,537.73	
Deferred tax assets	460,427,215.85	460,463,049.07	35,833.22
Other non-current assets	199,020,072.23	199,020,072.23	
<b>Total non-current assets</b>	<b>16,683,767,603.03</b>	<b>16,707,499,545.29</b>	<b>23,731,942.26</b>
<b>Total assets</b>	<b>46,753,104,355.82</b>	<b>47,323,263,597.92</b>	<b>570,159,242.10</b>
<b>Current liabilities:</b>			
Short-term borrowings	2,970,414,975.00	2,970,414,975.00	
Loans from central bank			
Deposits from customers and other banks			
Placements from banks and other financial institutions			
Financial liabilities held for trading	Not Applicable	3,366,294.31	3,366,294.31
Financial liabilities at fair value through profit or loss	3,366,294.31	Not Applicable	-3,366,294.31

<b>Item</b>	<b>2017-12-31</b>	<b>2018-1-1</b>	<b>Adjustment</b>
Derivative financial liabilities			
Notes and accounts payable	9,630,554,420.09	9,630,554,420.09	
Advances from customers	642,156,792.96		-642,156,792.96
Contract liabilities	Not Applicable	6,411,599,314.91	6,411,599,314.91
Securities sold under agreements to repurchase			
Fee and commission payable			
Employee benefits payable	43,914,558.18	43,914,558.18	
Taxes payable	76,628,685.72	76,628,685.72	
Other payables	282,069,610.65	282,069,610.65	
Including: Interest payable	15,896,189.07	15,896,189.07	
Dividends payable	383,540.92	383,540.92	
Reinsured accounts payable			
Brokerage for trading securities			
Brokerage for underwriting securities			
Liabilities held for sale			
Non-current liabilities due within one year	4,482,400,000.00	4,482,400,000.00	
Other current liabilities	5,544,483,602.13	137,250,591.28	-5,407,233,010.85
<b>Total current liabilities</b>	<b>23,675,988,939.04</b>	<b>24,038,198,450.14</b>	<b>362,209,511.10</b>
<b>Non-current liabilities:</b>			
Reserves for insurance contracts			
Long-term borrowings	9,795,157,000.00	9,795,157,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables	99,370,000.00	99,370,000.00	
Long-term employee benefits payable	273,426,011.04	273,426,011.04	
Estimated liabilities	540,745,308.48	754,510,938.59	213,765,630.11
Deferred income	47,514,683.60	47,514,683.60	
Deferred tax liabilities	1,412,563.62	7,408,073.82	5,995,510.20
Other non-current liabilities			
<b>Total non-current liabilities</b>	<b>10,757,625,566.74</b>	<b>10,977,386,707.05</b>	<b>219,761,140.31</b>
<b>Total liabilities</b>	<b>34,433,614,505.78</b>	<b>35,015,585,157.19</b>	<b>581,970,651.41</b>
<b>Owners' equity:</b>			
Share capital	1,413,506,378.00	1,413,506,378.00	
Other equity instruments			
Including: Preference shares			

Item	2017-12-31	2018-1-1	Adjustment
Perpetual bonds			
Capital reserve	8,746,675,613.33	8,746,675,613.33	
Less: Treasury shares			
Other comprehensive income	-60,327,829.23	-42,591,397.17	17,736,432.06
Special reserve	2,096,705.90	2,096,705.90	
Surplus reserve	962,441,825.31	962,441,825.31	
Provision for general risks			
Undistributed profit	-255,300,411.53	-284,848,252.90	-29,547,841.37
<b>Total equity attributable to shareholders of the Company</b>	10,809,092,281.78	10,797,280,872.47	-11,811,409.31
Minority interests	1,510,397,568.26	1,510,397,568.26	
<b>Total equity</b>	12,319,489,850.04	12,307,678,440.73	-11,811,409.31
<b>Total liabilities and equity</b>	46,753,104,355.82	47,323,263,597.92	570,159,242.10

The statement of consolidated balance sheet's adjustment is detailed in note III,(1).

## 2) Balance Sheet of the Company

Unit: RMB

Item	2017-12-31	2018-1-1	Adjustment
<b>Current assets:</b>			
Cash at bank and on hand	513,258,307.19	513,258,307.19	
Financial assets held for trading	Not Applicable		
Financial assets at fair value through profit or loss		Not Applicable	
Derivative financial assets			
Notes and accounts receivable	34,915,043.87	34,915,043.87	
Including: Notes receivable	100,000.00	100,000.00	
Accounts receivable	34,815,043.87	34,815,043.87	
Prepayments	1,861,905.00	1,861,905.00	
Other receivables	9,532,248.57	9,532,248.57	
Including: Interest receivable	403,909.69	403,909.69	
Dividends receivable			
Inventories	131,196,488.58	131,196,488.58	
Contract assets	Not Applicable		
Assets held for sale			
Non-current assets due within one year	650,000,000.00	650,000,000.00	
Other current assets	282,058,591.92	282,058,591.92	
<b>Total current assets</b>	1,622,822,585.13	1,622,822,585.13	

<b>Item</b>	<b>2017-12-31</b>	<b>2018-1-1</b>	<b>Adjustment</b>
<b>Non-current assets:</b>			
Debt investments	Not Applicable		
Held-to-maturity investments		Not Applicable	
Other debt investments	Not Applicable		
Held-to-maturity investments		Not Applicable	
Long-term receivables			
Long-term equity investments	7,902,205,154.63	7,902,205,154.63	
Other equity instrument investments	Not Applicable		
Other non-current financial assets	Not Applicable		
Investment properties			
Fixed assets	76,780,630.19	76,780,630.19	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets	10,792,029.90	10,792,029.90	
Development expenses			
Goodwill			
Long-term prepaid expenses	2,344.24	2,344.24	
Deferred tax assets	20,000,000.00	20,000,000.00	
Other non-current assets	2,776,042.97	2,776,042.97	
<b>Total non-current assets</b>	<b>8,012,556,201.93</b>	<b>8,012,556,201.93</b>	
<b>Total assets</b>	<b>9,635,378,787.06</b>	<b>9,635,378,787.06</b>	
<b>Current liabilities:</b>			
Short-term borrowings	100,000,000.00	100,000,000.00	
Financial liabilities held for trading	Not Applicable		
Financial liabilities at fair value through profit or loss		Not Applicable	
Derivative financial liabilities			
Notes and accounts payable	65,977,190.78	65,977,190.78	
Advances from customers	55,310,128.61		-55,310,128.61
Contract liabilities	Not Applicable	55,310,128.61	55,310,128.61
Financial liabilities held for trading	1,611,226.23	1,611,226.23	
Taxes payable	4,115,201.43	4,115,201.43	
Other payables	30,599,065.08	30,599,065.08	
Including: Interest payable	339,166.67	339,166.67	
Dividends payable	383,540.92	383,540.92	



<b>Item</b>	<b>2017-12-31</b>	<b>2018-1-1</b>	<b>Adjustment</b>
Liabilities held for sale			
Non-current liabilities due within one year	500,000,000.00	500,000,000.00	
Other current liabilities			
<b>Total current liabilities</b>	757,612,812.13	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	
Long-term employee benefits payable			
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>	856,982,812.13	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	-
Provision for general risks	744,290,926.38	744,290,926.38	-
<b>Total equity</b>	8,778,395,974.93	8,778,395,974.93	-
<b>Total liabilities and equity</b>	9,635,378,787.06	9,635,378,787.06	-

The statement of balance sheet of the company adjustment is detailed in note III, (1).

(4) Statements of retroactive adjustment of the previous comparative data due to first implementation of the new financial instrument standards

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 other comprehensive income as at the beginning of 2018 increased by RMB17,736,432.06, and undistributed profits at the beginning of

2018 decreased by RMB 29,547,841.37, without adjusting comparative period figures. It will not adjust the listed company figures during the comparable period.

#### IV. TAX

##### (1). Main taxes and rates

Type	Tax basis	Tax rate
PRC enterprise:		
-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%
-Urban maintenance and construction tax	Turnover tax payable	7%
-Educational surcharge	Turnover tax payable	3%
-Local education surcharge	Turnover tax payable	2%
-Enterprise income tax	Taxable income	15%、20%、25%
Hong Kong profits tax	Taxable income	16.5%

Note: In accordance with the Circular on the Adjustment to the Rates of Value-added Tax (CaiShui [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%	
Guangzhou Wenchong Dockyard Co., Ltd.	15%	
Glory Group Development Limited	16.5%	Incorporated in Hong Kong
Fonkwang Development Limited	16.5%	Incorporated in Hong Kong
WAH SHUN INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
WAH LOONG INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
Zhanjiang Nanhai Ship Hi-Tech Services Ltd	20%	Small low-profit enterprise
Other subsidiaries	25%	

##### (2). 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% for ship products (The original rebate rate has been changed from 17% to 16% from May 1, 2018), 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 (CaiShui [2011] No. 100), value-added tax at a rate of 17% is applicable to sales of self-developed software by a value-added tax general taxpayer, and 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 high-tech enterprises in 2017 with a validity period of three years, its income tax for 2018 continued to be accounted for at 15%.

Huangpu Wenchong, a subsidiary of the Company, passed the certification of second batch of high-tech enterprises in 2015 with a validity period of three years. In 2018, Huangpu Wenchong reapplied for the hi-tech enterprise certification, and the National High-tech Enterprise Certification Management Leading Group Office released the list of proposed high-tech enterprises online on 28 November 2018 for display for a period of 10 working days. Currently the display period has expired. As at the date of this report, the Company has not received the hi-tech enterprise certificate. However, the Company considered that it will be able to obtain the certificate before the tax payment. As such, its income tax for 2018 continued to be accounted for at 15%.

Wenchong Shipyard, a subsidiary of the Company obtained the high-tech enterprise certificate as at 10 October 2015 with a validity period of three years. In 2018, Wenchong Shipyard reapplied for the hi-tech enterprise certification. The Leading Group of State High and New Enterprises Accreditation released the list of proposed high-tech enterprises online on 28 November 2018 for display for a period of 10 working days. Currently the display period has expired. As at the date of this report, the Company has not received the hi-tech enterprise certificate. However, the Company considered that it would be able to obtain the certificate before the tax payment. As such, its income tax for 2018 continued to be levied at 15%.

Huangpu Wenchong and Wenchong Shipyard, both subsidiaries of the Company, passed the certification of third batch of high-tech enterprises in 2016 with a validity period: three years, enterprise income tax for 2018 shall be paid at a rate of 25% as the Company had not chosen the favourable tax treatments.

## 3) Property tax

On 26 December 2018, Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation, issued the Taxation Matter Notice (Pu Shui Tong [2018] No. 32604), which states that Wenchong Shipyard, a subsidiary of the Company, was granted a preferential taxation treatment of reduction in property tax in the amount of RMB2,032,465.46 in accordance with the Interim Regulations for Property Tax of the People’s Republic of China, the reduction period is from 1 January 2018 to 31 December 2018.

4) Land use tax

On 26 December 2018, Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation, issued the Taxation Matter Notice (Pu Shui Tong [2018] No. 32603), which states that Wenchong Shipyard, a subsidiary of the Company, was granted a preferential taxation treatment of reduction in land use tax in the amount of RMB1,437,247.31 in accordance with the Decision of the State Council on Amending the Interim Regulations for the Urban Land Use Tax of the People’s Republic of China, the reduction period is from 1 January 2018 to 31 December 2018 .

**V. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**

For the following disclosed financial statement data, unless otherwise noted, “Beginning Balance” refers to the balance as at 1 January 2018; and “Ending Balance” refers to the balance as at 31 December 2018. “Current Year” refers to the period from 1 January 2018 to 31 December 2018; “Last Year” refers to the period from 1 January 2018 to 31 December 2017. The currency is in RMB.

Note:For the reason of the implementation of the new accounting standards this year, the balance as at 1 January 2018 is inconsistent with that at 31 December 2017. The balance at the beginning of the year stated in the Notes IV to the Financial Statements is an explanation of the balance as at 1 January 2018 disclosed in Note IV to the Financial Statements, and is not an explanation of the balance as at 31 December 2017 disclosed in the financial statements.

**1. Notes and Accounts receivable**

<b>Item</b>	<b>No.</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Notes receivable	(1)	130,810,712.06	167,534,216.21
Accounts receivable	(2)	2,562,295,160.42	1,651,109,563.96
<b>Total</b>		<b>2,693,105,872.48</b>	<b>1,818,643,780.17</b>

(1) Notes receivable

1) Types of notes receivable

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Bank acceptance bills	83,544,762.52	55,041,718.21
Commercial acceptance bills	47,265,949.54	112,492,498.00
<b>Total</b>	<b>130,810,712.06</b>	<b>167,534,216.21</b>

Among the above notes receivable of the Group at the end of the year, RMB115,351,182.52 had

an ageing of less than 180 days, and RMB15,459,529.54 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 year	Amount not derecognised at the end of year
Bank acceptance bills	154,112,561.81	
<b>Total</b>	<b>154,112,561.81</b>	

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

- 5) Breakdown of notes receivable by methods of provision for bad debts

Type	Ending balance				Net amount
	Book balance		Provision for bad debts		
	Amount	Percent age (%)	Amount	Percent age (%)	
Provision for bad debts is made on an individual basis	130,810,712.06	100.00			130,810,712.06
Provision for bad debts is made on a portfolio basis	130,810,712.06	100.00			130,810,712.06
Including: the due date is within one year	130,810,712.06	100.00			130,810,712.06
<b>Total</b>	<b>130,810,712.06</b>	<b>/</b>		<b>/</b>	<b>130,810,712.06</b>

(Continued)

Type	Beginning balance				Net amount
	Book balance		Provision for bad debts		
	Amount	Percent age (%)	Amount	Percent age (%)	
Provision for bad debts is made on an individual basis					
Provision for bad debts is made on a portfolio basis	167,534,216.21	100.00			167,534,216.21
Including: the due date is within one year	167,534,216.21	100.00			167,534,216.21
<b>Total</b>	<b>167,534,216.21</b>	<b>100.00</b>			<b>167,534,216.21</b>

- (2) Accounts receivable

Name of project	Ending balance	Beginning balance
Accounts receivable	2,599,936,504.41	1,682,696,988.86
Less: Provision for bad debts	37,641,343.99	31,587,424.90

Name of project	Ending balance	Beginning balance
Net amount	2,562,295,160.42	1,651,109,563.96

- 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 1 year	2,081,143,908.20	11,024,919.02	0.53
1-2 years	367,021,421.08	5,658,962.57	1.54
2-3 years	89,601,945.13	945,758.24	1.06
3-4 years	38,876,710.70	1,367,823.98	3.52
4-5 years	7,008,378.15	4,324,220.61	61.70
Over 5 years	16,284,141.15	14,319,659.57	87.94
<b>Total</b>	<b>2,599,936,504.41</b>	<b>37,641,343.99</b>	<b>1.45</b>

(Continued)

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	1,273,838,249.55	5,989,220.90	0.47
1-2 years	264,116,875.26	3,977,277.92	1.51
2-3 years	114,219,351.03	3,435,187.01	3.01
3-4 years	7,008,378.15	4,081,276.19	58.23
4-5 years	12,063,633.73	8,531,819.11	70.72
Over 5 years	11,450,501.14	5,572,643.77	48.67
<b>Total</b>	<b>1,682,696,988.86</b>	<b>31,587,424.90</b>	<b>1.88</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				Net amount
	Book balance		Provision for bad debts		
	Amount	Percent age (%)	Amount	Percent age (%)	
Provision for bad debts is made on an individual basis	25,848,053.85	0.99	24,818,059.11	96.02	1,029,994.74
Including: Accounts receivable which have a significant increase in credit risk since initial recognition	25,848,053.85	0.99	24,818,059.11	96.02	1,029,994.74
Provision for bad debts is made on a portfolio basis	2,574,088,450.56	99.01	12,823,284.88	0.50	2,561,265,165.68

Type	Ending balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percent age (%)	Amount	Percent age (%)	
Including: Accounts receivable which have not a significant increase in credit risk since initial recognition	2,574,088,450.56	99.01	12,823,284.88	0.50	2,561,265,165.68
<b>Total</b>	<b>2,599,936,504.41</b>	<b>—</b>	<b>37,641,343.99</b>	<b>—</b>	<b>2,562,295,160.42</b>

(Continued)

Type	Beginning balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percent age (%)	Amount	Percent age (%)	
Provision for bad debts is made on an individual basis	18,380,635.66	1.09	18,380,635.66	100.00	
Including: Accounts receivable which have a significant increase in credit risk since initial recognition	18,380,635.66	1.09	18,380,635.66	100.00	
Provision for bad debts is made on a portfolio basis	1,664,316,353.20	98.91	13,206,789.24	0.79	1,651,109,563.96
Including: Accounts receivable which have not a significant increase in credit risk since initial recognition	1,664,316,353.20	98.91	13,206,789.24	0.79	1,651,109,563.96
<b>Total</b>	<b>1,682,696,988.86</b>	<b>—</b>	<b>31,587,424.90</b>	<b>—</b>	<b>1,651,109,563.96</b>

a) Accounts receivable which the provision for bad debts is made on an individual basis

Name	Ending balance			
	Accounts receivable	Provision for bad debts	Provision Percentage (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,192,440.28	4,192,440.28	100	Very little chance of recovery
VARADA ONE PTE LTD	3,586,022.00	3,586,022.00	100	CITIC Insurance has paid for it, and the remaining debts cannot be recovered
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
CONTSHIPSMANAGEMENT INC	2,882,544.00	2,058,960.00	71.43	Very little chance of recovery
WHL-FONKWANG	2,793,485.84	2,793,485.84	100	Long overdue and there are signs of impairment
FAIRLAND ENTERPRISE LIMITED	1,708,936.80	1,708,936.80	100	CITIC Insurance

Name	Ending balance			
	Accounts receivable	Provision for bad debts	Provision Percentage (%)	Reasons for provision
D				has paid for it, and the remaining debts cannot be recovered
evalendshippingco.s.a.	1,365,804.25	1,365,804.25	100	The balance cannot be recovered
Guangzhou Nanfang Special Coating Co., Ltd.	1,186,418.63	1,186,418.63	100	The balance cannot be recovered
Chongqing YuandongFushi Electromechanical Company	894,670.00	894,670.00	100	Very little chance of recovery
Fuzhou Hongjia Electronic Technology Company	533,118.00	533,118.00	100	Very little chance of recovery
SCHIFFFAHRTSGESELLSCHAFT MERK	480,424.00	480,424.00	100	The shipowner went bankrupt and the balance could not be recovered
dianikbrossshippingcorporations.a.	412,821.48	206,410.74	50	A half can be recovered
GOLDENPASIFICINTERNATIONAL& HOLDING(S)PTELTD	400,718.91	400,718.91	100	CITIC Insurance has paid for it, and the remaining debts cannot be recovered
Chongqing South Group Company	263,698.87	263,698.87	100	According to the contract, the house is used to offset the receivables, and 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
25 others	699,532.27	699,532.27	100	Long ageing, with risk of collection
<b>Total</b>	<b>25,848,053.85</b>	<b>24,818,059.11</b>	—	—

b) Accounts receivable which the provision for bad debts is made on a portfolio basis

Ageing	Ending balance
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	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	2,214,415,347.65	11,024,919.35	0.50
1-2 years	237,856,204.59	1,189,281.03	0.50
2-3 years	80,788,645.51	403,943.21	0.50
3-4 years	35,832,021.17	179,160.11	0.50
4-5 years	3,022,271.09	15,111.36	0.50
Over 5 years	2,173,960.55	10,869.82	0.50
<b>Total</b>	<b>2,574,088,450.56</b>	<b>12,823,284.88</b>	—

4) Bad debts during the year

Type	Beginning balance	Change for the year				Ending balance
		Provision	Recovered or reversed	Write-off	Change in scope of consolidation	
Provision for bad debts of accounts receivable	31,587,424.90	7,837,972.59	-60,000.00	-1,419,841.00	-304,212.50	37,641,343.99
<b>Total</b>	<b>31,587,424.90</b>	<b>7,837,972.59</b>	<b>-60,000.00</b>	<b>-1,419,841.00</b>	<b>-304,212.50</b>	<b>37,641,343.99</b>

Significant provision for bad debts recovered or reversed during the year:

Name	Amount reversed (or recovered)	Recovery method
Fuzhou Hongjia Electronic Technology Company	60,000.00	Cash receipts through negotiations
<b>Total</b>	<b>60,000.00</b>	/

5) Accounts receivable written-off during the year

Item	Amount written-off
Accounts receivable written-off	1,419,841.00

Significant accounts receivable written-off

Name	Nature	Amount of write-off	Reason for write-off	Procedure for write-off	Arising From related party transactions or not
Qingdao Haier Special Freezer Co., Ltd.	Amount of engineering project	1,395,941.00	unable to collect	Company regulations of execution	No

6) Top five accounts receivable by ending balance of debtors

Name	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	389,492,300.00	1-2 years	14.98	1,947,461.50
Entity 2	Third party	240,212,000.00	Within 2 years	9.24	1,201,060.00
Entity 3	Third party	177,650,317.57	Within 4 years	6.83	888,251.59
Entity 4	Third party	162,451,944.00	Within 1 years	6.25	812,259.72
Entity 5	Third party	131,544,592.72	1-2 years	5.06	657,722.96
<b>Total</b>		<b>1,101,351,154.29</b>		<b>42.36</b>	<b>5,506,755.77</b>

7) Other receivables derecognised arising from transfer of financial assets: None.

8) Amount of assets and liabilities transferred from accounts receivable with continuing involvement: None.

## 2. Notes and Accounts payable

Item	No.	Ending balance	Beginning balance
Notes payable	(1)	2,730,396,298.20	1,774,884,568.59
Accounts payable	(2)	7,958,832,249.26	7,855,669,851.50
<b>Total</b>		<b>10,689,228,547.46</b>	<b>9,630,554,420.09</b>

### (1) Notes payable

Type	Ending balance	Beginning balance
Bank acceptance bills	2,286,572,893.25	1,599,584,847.84
Commercial acceptance bills	443,823,404.95	175,299,720.75
<b>Total</b>	<b>2,730,396,298.20</b>	<b>1,774,884,568.59</b>

Total notes payable due and unpaid as at the end of the year amounted to RMB0 (RMB0 as at the beginning of the year).

Among the above notes payable of the Group, RMB2,577,084,998.20 had an ageing of less than 180 days, and RMB153,311,300.00 had an ageing of 181-360 days.

### (2) Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	4,074,770,064.65	4,790,480,409.64
Payment for projects under construction	114,327,903.77	158,868,281.50
Balance of product payment	552,199,468.38	555,746,780.21

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Retention money	1,485,763,195.74	1,408,866,073.78
Other construction and labour services	1,731,771,616.72	941,708,306.37
<b>Total</b>	<b>7,958,832,249.26</b>	<b>7,855,669,851.50</b>

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

<b>Ageing</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Within 1 year	4,318,781,010.73	6,587,208,356.79
1-2 years	2,967,761,937.65	839,403,219.29
2-3 years	417,041,372.35	200,550,136.60
Over 3 years	255,247,928.53	228,508,138.82
<b>Total</b>	<b>7,958,832,249.26</b>	<b>7,855,669,851.50</b>

2) Significant accounts payable aged over one year

<b>Name</b>	<b>Ending balance</b>	<b>Including: Amount over one year</b>	<b>Reason for unsettlement or carrying forward</b>
CSSC Systems Engineering Research Institute	613,823,660.69	456,715,900.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation A Research Institute	438,060,136.11	253,717,211.11	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation B Research Institute	171,197,500.00	24,657,500.00	Equipment warranty and provisional estimates
Aviation Technology Research Institute of China Aerospace Science and Industry	151,049,200.00	151,049,200.00	Equipment warranty and provisional estimates
Shanghai Hangtai Technology Research Institute	112,760,000.00	108,735,000.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	439,898,643.35	94,878,351.89	Equipment provisional estimates
China Shipbuilding Industry Corporation C Research Institute	80,803,399.98	31,699,799.98	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation D Research Institute	71,143,000.00	64,024,924.53	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation E Research Institute	65,166,911.11	58,256,256.73	Equipment warranty and provisional estimates
Technology Department of division	62,275,000.00	57,555,000.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation F Research Institute	61,260,701.73	43,126,600.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation G Research Institute.	58,826,530.00	58,826,530.00	Equipment warranty and provisional estimates
Drass Energy Srl	47,356,646.10	31,239,119.69	Equipment warranty and provisional estimates
AL NEHRA PETROME FZE	45,017,175.95	45,017,175.95	Equipment warranty and provisional estimates
Electronic Instrument Factory in Changshu	44,599,372.93	6,420,771.20	Equipment warranty and provisional estimates

Name	Ending balance	Including: Amount over one year	Reason for unsettlement or carrying forward
China Shipbuilding Industry Corporation H Research Institute	39,337,000.00	39,337,000.00	Equipment warranty and provisional estimates
Wenzhou Bohong Electric Co., Ltd.	68,744,310.00	47,169,130.00	Equipment warranty and provisional estimates
<b>Total</b>	<b>2,571,319,187.95</b>	<b>1,572,425,471.08</b>	—

### 3. Undistributed profit

Item	Current year	Last year
<b>Undistributed profit at the end of the previous year before adjustment</b>	<b>-255,300,411.53</b>	<b>1,173,657,685.44</b>
Add: Beginning adjustment to undistributed profit	-29,547,841.37	-1,345,677,324.25
Including: Retrospective adjustment of the new provisions of the Accounting Standards for Business Enterprises		
Changes in accounting policies	-29,547,841.37	
Corrections to the important errors of the previous period		
Changes in the scope of merger under the same control		-1,345,677,324.25
Other factors of adjustment		
<b>Undistributed profit at the beginning of the year after adjustment</b>	<b>-284,848,252.90</b>	<b>-172,019,638.81</b>
Add: Net profit attributable to owners of the Company for the year	-1,869,014,160.08	-50,507,587.08
Add : Transfer from other comprehensive income to retained earnings	159,937.61	
Less: Statutory surplus reserve set aside		10,157,083.59
Discretionary surplus reserve set aside		
General reserve made		
Dividends payable on ordinary shares		22,616,102.05
<b>Undistributed profit at the end of the year</b>	<b>-2,153,702,475.37</b>	<b>-255,300,411.53</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 III.1.

### 4. Net current assets

Item	Ending balance	Beginning balance
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<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Current assets	29,035,181,060.62	30,615,764,052.63
Less: Current liabilities	27,560,506,255.36	24,038,198,450.14
<b>Net current assets</b>	<b>1,474,674,805.26</b>	<b>6,577,565,602.49</b>

#### 5. Total assets less current liabilities

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Total assets	47,475,344,086.37	47,323,263,597.92
Less: Current liabilities	27,560,506,255.36	24,038,198,450.14
<b>Total assets less current liabilities</b>	<b>19,914,837,831.01</b>	<b>23,285,065,147.78</b>

#### 6. Operating income & Operating costs

<b>Item</b>	<b>Current year</b>	<b>Last year</b>
Revenue from principal business	19,002,635,540.52	22,676,214,094.43
Income from other business	210,960,853.51	243,993,393.96
<b>Total</b>	<b>19,213,596,394.03</b>	<b>22,920,207,488.39</b>
Costs of principal business	19,149,600,183.64	21,319,353,718.09
Costs of other business	112,869,562.64	182,170,102.67
<b>Total</b>	<b>19,262,469,746.28</b>	<b>21,501,523,820.76</b>

#### Gross profit from principal business

<b>Item</b>	<b>Current year</b>	<b>Last year</b>
Revenue from principal business	19,002,635,540.52	22,676,214,094.43
Costs of principal business	19,149,600,183.64	21,319,353,718.09
Gross profit	-146,964,643.12	1,356,860,376.34

#### (1) Principal business – by product

<b>Product name</b>	<b>Current year</b>	<b>Last year</b>
<b>Operating income</b>		
Ship products	15,074,500,138.56	18,019,685,451.60
Including :	—	—
Bulk carriers	838,481,272.71	718,031,951.87
Oil tankers	2,914,177,181.01	3,977,669,314.23
Containerships	1,948,012,116.47	1,517,928,544.39
Special ships and others	9,373,829,568.37	11,806,055,641.11
Offshore engineering	1,431,752,144.31	2,149,511,747.39

<b>Product name</b>	<b>Current year</b>	<b>Last year</b>
products		
Steel structure	724,839,574.41	1,009,381,917.95
Maintenance and modification on ships	907,948,316.47	848,804,750.75
Electromechanical products and others	863,595,366.77	648,830,226.74
<b>Total</b>	<b>19,002,635,540.52</b>	<b>22,676,214,094.43</b>
<b>Operating costs</b>		
Ship products	15,211,331,860.89	16,778,382,132.50
Including :		
Bulk carriers	802,765,072.63	717,705,118.10
Oil tankers	3,103,672,217.45	3,782,356,738.95
Containerships	1,862,609,466.00	1,365,249,047.05
Special ships and others	9,442,285,104.81	10,913,071,228.40
Offshore engineering products	1,585,077,615.70	2,276,550,433.21
Steel structure	679,623,834.29	886,436,024.23
Maintenance and modification on ships	791,950,320.34	799,083,646.82
Electromechanical products and others	881,616,552.42	578,901,481.33
<b>Total</b>	<b>19,149,600,183.64</b>	<b>21,319,353,718.09</b>

(2) Principal business – by region

<b>Region</b>	<b>Current year</b>	<b>Last year</b>
<b>Operating income</b>		
China (including Hong Kong, Macau and Taiwan)	11,334,631,302.20	15,281,256,077.93
Other regions in Asia	639,604,362.49	2,103,340,112.95
Europe	3,945,030,525.19	3,915,533,865.27
Oceania	682,924,110.56	367,697,785.00
North America	1,351,863,663.92	785,053,651.23
Africa	890,489,400.31	67,588,288.81
South America	158,092,175.85	155,744,313.24
<b>Total</b>	<b>19,002,635,540.52</b>	<b>22,676,214,094.43</b>
<b>Operating costs</b>		
China (including Hong Kong, Macau and Taiwan)	11,319,324,405.91	14,152,564,419.37
Other regions in Asia	620,733,098.94	1,966,459,193.67
Europe	4,196,153,405.24	3,860,760,648.74

<b>Region</b>	<b>Current year</b>	<b>Last year</b>
Oceania	685,780,641.07	395,581,284.12
North America	1,250,418,744.55	787,374,155.93
Africa	924,798,353.00	29,791,295.74
South America	152,391,534.93	126,822,720.52
<b>Total</b>	<b>19,149,600,183.64</b>	<b>21,319,353,718.09</b>

(3) Other operating income and other operating costs

<b>Product name</b>	<b>Current year</b>	<b>Last year</b>
<b>Income from other business</b>		
Sale of materials	51,391,513.56	44,519,401.01
Sales of scrap materials	86,867,023.16	83,165,597.08
Service income	14,717,773.14	11,464,649.60
Rental income	3,284,341.02	48,945,800.53
Energy income	42,375,194.40	30,663,832.72
Others	12,325,008.23	25,234,113.02
<b>Total</b>	<b>210,960,853.51</b>	<b>243,993,393.96</b>
<b>Costs of other business</b>		
Sale of materials	35,672,292.89	49,543,955.59
Sales of scrap materials	39,501,596.38	58,922,799.99
Service income	8,604,005.09	6,101,068.21
Rental income	978,822.95	28,694,220.05
Energy income	24,484,850.94	31,206,632.85
Others	3,627,994.39	7,701,425.98
<b>Total</b>	<b>112,869,562.64</b>	<b>182,170,102.67</b>

(4) Contract revenue

<b>Contract types</b>	<b>Shipbuilding and related business segments</b>	<b>Steel structure business segments</b>	<b>Shipmaintenance and related business segments</b>	<b>Other segments</b>	<b>Total</b>
<b>Product types</b>	<b>17,280,026,667.76</b>	<b>761,961,022.61</b>	<b>649,791,240.16</b>	<b>521,817,463.50</b>	<b>19,213,596,394.03</b>
Ship products	15,074,500,138.56				15,074,500,138.56
Offshore engineering products	1,431,752,144.31				1,431,752,144.31
Steel structure		674,694,317.16		50,145,257.25	724,839,574.41
Maintenance and modification on ships	301,609,452.27		606,338,864.20		907,948,316.47
Electromechanical products and	402,084,865.71	42,001,699.98		419,508,801.08	863,595,366.77

Contract types	Shipbuilding and related business segments	Steel structure business segments	Shipmaintenance and related business segments	Other segments	Total
others					
Other business	70,080,066.91	45,265,005.47	43,452,375.96	52,163,405.17	210,960,853.51
<b>Classified by region</b>	<b>17,280,026,667.76</b>	<b>761,961,022.61</b>	<b>649,791,240.16</b>	<b>521,817,463.50</b>	<b>19,213,596,394.03</b>
Domestic	10,217,640,685.47	516,435,662.29	290,561,336.86	520,954,471.09	11,545,592,155.71
Overseas	7,062,385,982.29	245,525,360.32	359,229,903.30	862,992.41	7,668,004,238.32
<b>Market or customer type</b>	<b>17,280,026,667.76</b>	<b>761,961,022.61</b>	<b>649,791,240.16</b>	<b>521,817,463.50</b>	<b>19,213,596,394.03</b>
State-owned enterprise	8,484,910,740.74	465,482,640.49	200,644,185.99	200,233,090.33	9,351,270,657.55
Private enterprise	895,986,745.02	61,836,490.38	89,917,150.87	321,126,949.63	1,368,867,335.90
Foreign enterprise	7,899,129,182.00	234,641,891.74	359,229,903.30	457,423.54	8,493,458,400.58
<b>Contract types</b>	<b>17,280,026,667.76</b>	<b>761,961,022.61</b>	<b>649,791,240.16</b>	<b>521,817,463.50</b>	<b>19,213,596,394.03</b>
Fixed price	17,280,026,667.76	761,961,022.61	649,791,240.16	521,817,463.50	19,213,596,394.03
Cost bonus					
<b>Classified by time of goods transformation</b>	<b>17,280,026,667.76</b>	<b>761,961,022.61</b>	<b>649,791,240.16</b>	<b>521,817,463.50</b>	<b>19,213,596,394.03</b>
Performance for a period of time	15,516,431,882.61	320,265,431.68			15,836,697,314.29
Performance for one hour	1,763,594,785.15	441,695,590.93	649,791,240.16	521,817,463.50	3,376,899,079.74
<b>Classified by contract duration</b>	<b>17,280,026,667.76</b>	<b>761,961,022.61</b>	<b>649,791,240.16</b>	<b>521,817,463.50</b>	<b>19,213,596,394.03</b>
Short term	6,985,581,480.13	761,961,022.61	649,791,240.16	493,873,966.11	8,891,207,709.01
Long term	10,294,445,187.63			27,943,497.39	10,322,388,685.02
<b>Classified by sales channel</b>	<b>17,280,026,667.76</b>	<b>761,961,022.61</b>	<b>649,791,240.16</b>	<b>521,817,463.50</b>	<b>19,213,596,394.03</b>
Direct	17,280,026,667.76	761,961,022.61	649,791,240.16	521,817,463.50	19,213,596,394.03
Agency					
<b>Total</b>	<b>17,280,026,667.76</b>	<b>761,961,022.61</b>	<b>649,791,240.16</b>	<b>521,817,463.50</b>	<b>19,213,596,394.03</b>

##### (5) Description of performance obligations

The performance obligations of the Group are mainly the completion of the construction, delivery and warranty of ships and ancillary products. The time for fulfilling the performance obligations is basically in line with the completion schedule of the ships, mainly including the nodes, such as starting, closure, docking, launching, sea trial and delivery. Based on the time and proportion of the settlement of the progress payment set out in the contract signed by the Group and the customer, the two parties shall perform the corresponding obligations according to the terms of the contract. If any party defaults or fails to perform the contractual obligations in a timely manner, where the responsibility lies with the Group, it shall refund the prepayments from customers together with the contract assets caused thereby; where the responsibility lies with the customer, the Group has the right to require the customer



to continue to perform or compensate the costs and profits incurred in the contract performance. For defects caused by unintentional, navigation risks and physical damage during the warranty period of the contract, which is generally 1 year, enterprises provide repair services without any charges.

(6) Description of allocated to remaining performance obligations

The amount of income corresponding to the performance obligations that have been contracted but not yet fulfilled or completely fulfilled at the end of the year was RMB41,191,327,900.00, of which RMB 17,146,228,100.00 is expected to be recognised in 2019.

(7) Top five customers by operating income

Customers	Relationship with the Group	Current year	Percentage of total operating income (%)
First	Third party	6,064,256,325.70	31.91
Second	Third party	488,596,591.54	2.57
Third	Third party	436,461,017.71	2.30
Fourth	Third party	366,562,894.56	1.93
Fifth	Third party	342,619,179.84	1.80
<b>Total</b>		<b>7,698,496,009.35</b>	<b>40.51</b>

(8) Purchase amounts from top five suppliers

Supplier	Relationship with the Group	Amount	Percentage of total operating costs (%)
First	Under common control of CSSC	2,154,256,417.44	11.25
Second	Under common control of CSSC	548,554,200.00	2.86
Third	Third party	466,874,300.00	2.44
Fourth	Under common control of CSSC	245,862,522.60	1.28
Fifth	Third party	234,980,000.00	1.23
<b>Total</b>		<b>3,650,527,440.04</b>	<b>19.06</b>

## 7. Finance cost

(1). Breakdown of finance costs

Item	Current year	Last year
Interest expenses	370,303,935.69	477,943,243.68
Less: Interest income	235,693,676.79	173,183,322.73
Less: Net exchange gains	29,984,211.01	
Add: Net exchange losses		308,435,002.45
Add: Other expenses	13,847,453.94	12,590,153.76
<b>Total</b>	<b>118,473,501.83</b>	<b>625,785,077.16</b>

(2). Breakdown of interest expenses

<b>Item</b>	<b>Current year</b>	<b>Last year</b>
Interest on bank loans and overdraft		
Interest on bank borrowings due within 5 years	186,423,630.74	277,310,855.10
Other borrowings		
Interest on other borrowings due within 5 years	211,029,404.94	247,824,749.99
Other interest expenses	7,409,892.02	8,341,547.15
Sub-total	404,862,927.70	533,477,152.24
Less: Interest capitalised	3,488,992.01	10,463,908.56
Less: Interest subsidy	31,070,000.00	45,070,000.00
<b>Total</b>	<b>370,303,935.69</b>	<b>477,943,243.68</b>

(3). Breakdown of interest income

<b>Item</b>	<b>Current year</b>	<b>Last year</b>
Interest income from bank deposits	213,995,186.14	173,183,322.73
Interest income from receivables	21,698,490.65	
<b>Total</b>	<b>235,693,676.79</b>	<b>173,183,322.73</b>

**8. Investment income**

<b>Item</b>	<b>Current year</b>	<b>Last year</b>
Gain on long-term equity investments accounted for using equity method	-8,308,324.83	-1,600,524.97
Investment income from disposal of long-term equity investments		74,229,303.45
Investment income from disposal of financial assets at fair value through profit or loss		8,214,478.00
Investment income from holding available-for-sale financial assets		1,024,478.82
The gain on fair value revaluation of the remaining stake	28,432,071.85	
Dividends income from other investments in equity instruments	945,450.54	
Interest income earned during the holding of other debt investment	36,175,021.34	64,625,451.49
Investment income from disposal of financial assets held for trading	-181,064,274.00	
Others		950,369.02
<b>Total</b>	<b>-123,820,055.10</b>	<b>147,443,555.81</b>

The investment income from investment in listed companies and non-listed companies for the year amounted to RMB159,210.54 (Last year: RMB150,980.73) and RMB-123,979,265.64 (Last year: RMB147,292,575.08), respectively

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

Item	Current year	Last year
Change in fair value of financial assets held for trading	5,082,899.10	6,602,255.91
Change in fair value of financial liabilities held for trading	-428,527,762.47	-3,366,294.31
<b>合計</b>	<b>-423,444,863.37</b>	<b>3,235,961.60</b>

## 10. Non-operating income

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

Item	Current year	Last year	Amount included in non-recurring gains and losses during the year
Profit from destroyed and damaged non-current assets	491,470.55	1,799,716.73	491,470.55
Including: Loss from destroyed and damaged fixed assets	491,470.55	1,799,716.73	491,470.55
Government grants not related to daily business activities of the company	3,880,195.98	11,836,275.93	3,880,195.98
Compensation for assets relocation <sup>Note</sup>	538,425,711.69		538,425,711.69
Transfer from claims under the balance of social security fund	6,452,562.32		6,452,562.32
Penalty income	232,889.26	697,800.71	232,889.26
Compensation for the GSI land		826,965,300.00	
Shipbuilding order cancellation compensation		15,908,360.00	
Compensation income		4,906,165.35	
Others	4,020,701.97	2,032,743.76	4,020,701.97
<b>Total</b>	<b>553,503,531.77</b>	<b>864,146,362.48</b>	<b>553,503,531.77</b>

The amount included in non-recurring gains and losses for current period was RMB553,503,531.77 (previous year: RMB864,146,362.48).

Note: On 9 November 2015, GSI, a subsidiary of the Company, and Guangzhou Shipyard Shipping Co., Ltd. (“Guangzhou Shipyard Shipping”) entered into the Agreement in relation to Compensation to GSI for assets Relocation. The main contents of the compensation agreement included: 1) GSI agreed to accept the entrustment and is responsible for the overall implementation of the demolition and resettlement of the Guangchuan Shipyard site, including: completion of the relocation, the migration of machinery and equipment involved in the relocation and resettlement of the Guangzhou Shipyard Shipping, the removal of the existing construction of the plan and the site leveling. 2) The total cost of the entrusted matters was RMB1,134,000,000 (hereinafter referred to as the “contracted compensation amount”), and the payment was completed within three years after the land was delivered..

GSI completed the overall relocation of the Liwan plant area for the year 2018. The company recognised income on compensation for assets relocation of RMB1,039,598,000 based on the compensation of the agreement after the discount, and recognised the net of profit and loss of RMB538,425,700 after deducting the relevant relocation expenses.

(2). Details of government grants not related to daily business activities of the company

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Subsidy for separation and transfer of water, power and gas supply and property management business	1,820,129.88	5,537,773.14	Finance in Huangpu District	Relating to revenue
Government subsidy for special hardship enterprises	1,254,800.00		Chuan Gong Cai [2018] 794	Relating to revenue
Special funds for fair trade in imports and exports	300,000.00		Special funds for fair trade in imports and exports	Relating to revenue
Medical expenses subsidy for retired cadres	250,000.00		National financial subsidy	Relating to assets
Trade friction response research fund	165,000.00		Trade friction response research fund	Relating to assets
Steady industrial growth bonus		2,000,000.00	National government subsidy	Relating to revenue
Incentive subsidy for contribution to local economic development by headquarters		1,400,000.00	National government subsidy	Relating to revenue
Export credit insurance subsidy for polar condensate tankers		1,195,800.00	Guangzhou Municipal Finance Bureau	Relating to revenue
Other projects	90,266.10	1,702,702.79		Relating to revenue
<b>Total</b>	<b>3,880,195.98</b>	<b>11,836,275.93</b>	—	—

(3). Description of profit from disposal of properties

Non-operating income of the Group for the year included profit from disposal of properties of RMB0 (amount for the previous year: RMB0).

## 11. Income tax expense

(1). Income tax expense

Item	Current year	Last year
Current income tax-PRC enterprise income tax	-7,619,024.57	24,714,547.15
1. PRC	-7,619,024.57	13,754,887.95
2. Hong Kong		10,922,990.12
3. Overprovision (underprovision) in the previous year		36,669.08

Deferred income tax	21,543,842.30	43,127,811.56
<b>Total</b>	<b>13,924,817.73</b>	<b>67,842,358.71</b>

(2). Adjustment to income tax expenses and total profit

Income tax calculated using applicable tax rates based on total profit under the combined income statement is adjusted as income tax expenses as follows:

<b>Item</b>	<b>Current year</b>
Total consolidated profit for the year	-2,460,225,332.53
Income tax expenses calculated at statutory/applicable tax rate	-615,056,333.13
Impact of different tax rates for subsidiaries	115,360,584.91
Impact of adjustment for income tax for previous periods	-8,494,811.23
Impact of non-taxable income	-1,785,159.17
Impact of non-deductible costs, expenses and losses	35,937,324.82
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-3,481,104.15
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	492,057,611.55
Other (including the effect of deduction)	-613,295.87
Income tax expense	13,924,817.73

## 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:

Item	No.	Current year	Last year
Net profit attributable to shareholders of the Company	1	-1,869,014,160.08	-50,507,587.08
Non-recurring gains and losses attributable to the Company	2	-111,482,742.70	985,568,764.60
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	-1,757,531,417.38	-1,036,076,351.68
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	12.00	12.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,413,506,378.00
Weighted average number of ordinary shares outstanding following adjustments in relation to business combination under common control for the purposes of earnings per share after deduction of non-recurring gains and losses	13	1,413,506,378.00	1,413,506,378.00
<b>Basic earnings per share (I)</b>	14=1÷12	-1.3223	-0.0357
<b>Basic earnings per share (II)</b>	15=3÷13	-1.2434	-0.7331
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		
<b>Diluted earnings per share (I)</b>	20=[1+(16-18)×(1-17)]÷(12+19)	-1.3223	-0.0357
<b>Diluted earnings per share (II)</b>	21=[3+(16-18)×(1-17)]÷(13+19)	-1.2434	-0.7331

### 13. DIVIDENDS

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

(1) For the year ended 31December 2017

According to the “proposal for profit distribution for 2016” approved by the 2016 Annual General Meeting of the Company on 26 May 2017, the Company will distribute cash dividends to all shareholders, and a cash dividend of RMB0.16 (including tax) will be distributed for every 10 shares, calculated according to the number of the 1,413,506,378 issued shares, there will be a total of RMB22,616,102.05.

(2) For the year ended 31December 2018

According to the resolutions of the 2017 Annual General Meeting held on 29 May 2018, the Company does not distribute dividends in 2017 and that the Company does not convert capital reserve into share capital.

#### 14. Depreciation and amortisation

Item	Current year	Last year
Depreciation of investment properties	628,712.16	628,712.16
Depreciation of fixed assets	710,579,883.83	743,500,056.36
Amortisation of intangible assets	59,779,481.34	67,123,210.49
Amortisation of long-term prepaid expenses	16,710,046.29	18,019,286.84
<b>Total</b>	<b>787,698,123.62</b>	<b>829,271,265.85</b>

#### 15. Gain (or loss) on disposal of investments or properties

Gains on disposal of investments during the year included Nanfang Special Coating lost control as which applied for bankruptcy, and the investment income confirmed by the difference between the equity value calculated by 0 and the net assets of the book is RMB28,432,071.85 ( last year: RMB0).

The Company’s gain (or loss) on disposal of properties for the year was nil (last year: nil).

#### 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 for the year

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

#### Segment information for the year

Item	Shipbuilding and related business	Steel structure engineering	Bisness segments of maintenance and modification on ships	Others	Inter-segment elimination	Total
Operating income	19,343,627,460.39	1,256,736,356.00	674,198,000.24	720,478,009.86	-2,781,443,432.46	19,213,596,394.03
Including: Revenue from external transactions	17,280,026,667.76	761,961,022.61	649,791,240.16	521,817,463.50		19,213,596,394.03
Revenue from intra-segment transactions	2,063,600,792.63	494,775,333.39	24,406,760.08	198,660,546.36	-2,781,443,432.46	
Operating costs	17,403,042,662.44	997,717,973.97	645,868,805.31	710,461,023.94	-494,620,719.38	19,262,469,746.28
Period charge	1,236,419,170.36	66,221,728.60	215,752,151.91	61,137,201.26	15,605,216.90	1,595,135,469.03
Segment total profit	-2,225,563,959.17	-24,331,351.38	-187,434,746.74	-5,334,826.36	-17,560,448.88	-2,460,225,332.53
Total assets	48,871,338,220.68	1,164,236,972.75	2,379,417,256.47	10,249,175,834.91	-15,188,824,198.44	47,475,344,086.37
Total liabilities	34,225,463,809.53	874,376,973.12	2,371,477,071.83	1,090,599,358.83	-5,442,983,675.01	33,118,933,538.30
Supplementary information						
Capital Expenditure	2,180,131,166.65	26,598,593.91	71,079,832.79	38,301,509.81	-638,609,705.04	1,677,501,398.12
Impairment loss recognised during current period	688,311,369.64	-354,545.33	30,030,115.64	-1,478,767.42	5,465.16	716,513,637.69
Depreciation and amortisation expense	687,273,698.19	6,907,977.67	75,195,611.93	18,320,835.83		787,698,123.62

#### Segment information for the previous year



Item	Shipbuilding and related business	Steel structure engineering	Bisness segments of maintenance and modification on ships	Others	Inter-segment elimination	Total
Operating income	22,588,401,799.60	1,072,539,494.65	660,528,553.67	1,826,119,813.37	-3,227,382,172.90	22,920,207,488.39
Including: Revenue from external transactions	20,452,023,931.45	1,009,381,917.95	660,528,553.67	798,273,085.32		22,920,207,488.39
Revenue from intra-segment transactions	2,136,377,868.15	63,157,576.70		1,027,846,728.05	-3,227,382,172.90	-
Operating costs	21,947,075,537.33	575,561,830.46	608,426,055.38	2,367,774,706.06	-3,997,314,308.47	21,501,523,820.76
Period charge	1,840,492,408.45	62,577,934.41	198,181,212.75	79,469,185.10	-5,082,595.65	2,175,638,145.06
Segment total profit	-2,780,348.41	76,666,457.58	-144,303,672.70	141,630,749.79	-49,227,716.72	21,985,469.54
Total assets	46,517,137,650.10	960,853,943.24	2,460,351,108.27	10,193,466,404.78	-13,378,704,750.57	46,753,104,355.82
Total liabilities	34,944,704,956.40	618,849,812.52	2,280,663,159.26	1,035,064,653.29	-4,445,668,075.69	34,433,614,505.78
Supplementary information						
Capital Expenditure	814,930,926.11	3,973,880.05	57,942,199.74	32,013,877.51	9,144,193.97	918,005,077.38
Impairment loss recognised during current period	207,334,597.65	1,929,569.06	9,835,295.56	-6,122,688.34	-9,938,311.83	203,038,462.10
Depreciation and amortisation expense	719,336,207.43	5,660,752.02	84,795,079.45	19,479,226.95		829,271,265.85

(2) Revenue from external transactions by origin of revenue

Revenue from external transactions	Current year	Last year
Revenue from external transactions derived from China	11,545,592,155.71	15,525,249,471.89
Revenue from external transactions derived from other countries	7,668,004,238.32	7,394,958,016.50
<b>Total</b>	<b>19,213,596,394.03</b>	<b>22,920,207,488.39</b>

(3) Non-current assets by location of assets

Total non-current assets	Ending balance	Beginning balance
Non-current assets within China	17,072,158,586.14	15,784,737,119.80
Non-current assets within other countries	727,749,130.41	260,326,481.34
<b>Total</b>	<b>17,799,907,716.55</b>	<b>16,045,063,601.14</b>

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