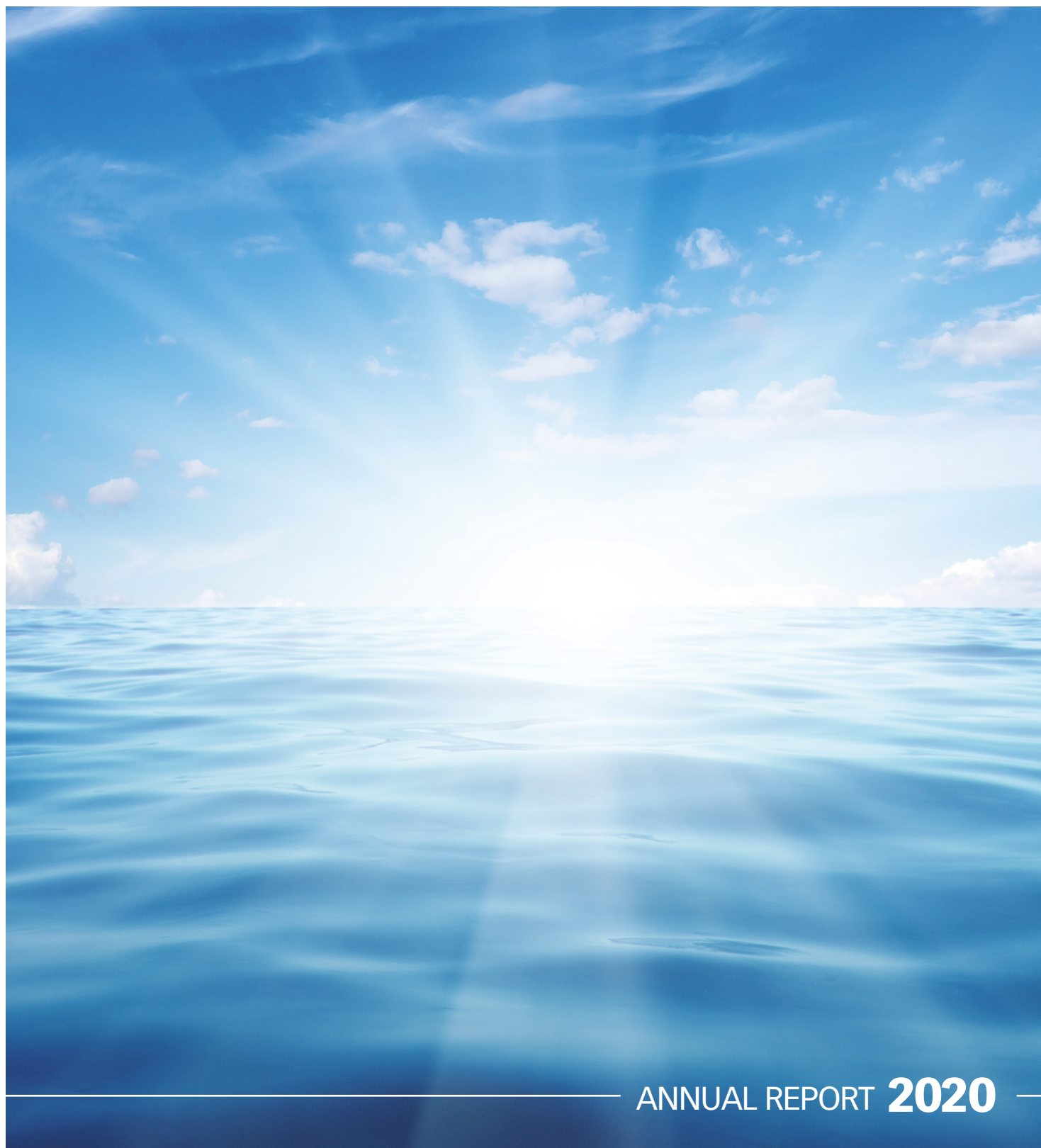




中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

H Stock Code: 00317 A Stock Code: 600685



ANNUAL REPORT **2020**

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- I The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant that there are no false statements, misleading information or material omissions in this annual report and are jointly and severally responsible for the truthfulness, accuracy and completeness of the contents of this annual report.**
- II All Directors of the Company attended the 4th meeting of the tenth session of the Board held on 30 March 2021, of which Mr. Xiang Huiming, executive Director, appointed Mr. Han Guangde, executive Director, to attend and vote on his behalf; Mr. Chen Zhongqian and Mr. Chen Ji, non-executive Directors, appointed Mr. Chen Liping, executive Director, to attend and vote on their behalves; Mr. Nie Wei, independent non-executive Director, appointed Mr. Yu Shiyong, independent non-executive Director, to attend and vote on his behalf. The annual report for 2020 was unanimously approved at the meeting.**
- III WUYIGE Certified Public Accountants LLP has issued standard auditors' report without qualifying opinions for the Company.**
- IV Han Guangde, the person in charge of the Company, Hou Zengquan, the person in charge of accounting, and Xie Weihong, the head of accounting department (accountant in charge), have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this annual report.**
- V Profit distribution proposal or proposal for capitalisation of capital reserves of the Company for the Reporting Period considered by the Board**

The Company intends to distribute a cash dividend of RMB1.66 (including tax) for every 10 shares to all shareholders, and the total cash dividends to be distributed will be RMB234,642,058.75 (including tax), calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2020. The remaining undistributed profit will be carried forward for distribution in subsequent years. The Company will not convert capital reserve into share capital for 2020. The profit distribution proposal is subject to the approval at the 2020 annual general meeting.
- VI This annual report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.**
- VII No controlling shareholder or related party of the Company has misappropriated funds of the Company and no guarantee has been provided for by the Company in violation of the required decision-making procedures.**
- VIII This annual report is prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.**

SECTION I DEFINITIONS AND IMPORTANT RISK WARNINGS

I DEFINITIONS

Unless otherwise stated in context, the following terms shall have the following meanings in this report:

Definitions of frequently used terms

DWT (deadweight tonnage)	deadweight capacity with tonne as unit
CSSC	China State Shipbuilding Corporation Limited, the controlling shareholder of the Company
Company	CSSC Offshore & Marine Engineering (Group) Company Limited
Group	CSSC Offshore & Marine Engineering (Group) Company Limited and its subsidiaries
CSSC Holdings	China CSSC Holdings Limited, a listed company controlled by CSSC
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution wholly-owned by China State Shipbuilding Corporation Limited
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, a 54.5371%-owned subsidiary of the Company as at the end of the Reporting Period
GSI	Guangzhou Shipyard International Company Limited, a company in which the Company owns a 46.3018% equity interest as at the end of the Reporting Period
Wenchong Shipyard	Guangzhou Wenchong Shipyard Co., Ltd, a wholly-owned subsidiary of Huangpu Wenchong
Huangchuan Ocean Engineering	Guangzhou Huangchuan Ocean Engineering Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong
CSSC Chengxi	CSSC Chengxi Shipbuilding Co., Ltd., a wholly-owned subsidiary of CSSC Holdings
Chengxi Yangzhou	CSSC Chengxi Yangzhou Shipbuilding Company Limited, a directly and indirectly wholly-owned subsidiary of CSSC Holdings as at the end of the Reporting Period
WUYIGE	WUYIGE Certified Public Accountants LLP
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited

II IMPORTANT RISK WARNINGS

The relevant risks which might exist have been described in this report in details, please refer to Section IV “Report of the Board” for the risks that the Company might face.

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

I INFORMATION OF THE COMPANY

Chinese name of the Company	中船海洋與防務裝備股份有限公司
Chinese abbreviation	中船防務
English name of the Company	CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED
English abbreviation	COMEC
Legal representative of the Company	Han Guangde

II CONTACT PERSONS AND CONTACT METHOD

	Secretary to the Board	Authorised Securities Representative
Name	Li Zhidong	Yu Wenbo
Contact address	15 th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China	15 th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China
Telephone	020-81636688	020-81636688
Fax	020-81896411	020-81896411
E-mail	lizd@comec.cssc.net.cn	yuwb@comec.cssc.net.cn

III GENERAL INFORMATION

Registered address of the Company	15 th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China
Postal code	510250
Office address of the Company	15 th Floor, Marine Tower, No.137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China
Postal code	510250
Website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn

IV INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media designated for information disclosure	China Securities Journal, Securities Times and Securities Daily
Website designated by the CSRC for publishing annual reports	www.sse.com.cn
HKEXnews website of the Stock Exchange	www.hkexnews.hk
Place for inspection of the annual report of the Company	Office of the Board

V INFORMATION ON THE COMPANY'S SHARES

Information on the Company's shares

Class of shares	Stock exchange on which the shares are listed	Stock abbreviation	Stock code	Stock abbreviation before change
A Shares	Shanghai Stock Exchange	COMEC	600685	GSI
H Shares	The Stock Exchange of Hong Kong Limited	COMEC	00317	GUANGZHOU SHIP

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

VI OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	WuYiGe
	Office address	1504, Xueyuan International Tower No.1 Zhichun Road, Haidian District, Beijing, the PRC
Accounting firm engaged by the Company (overseas)	Names of signing accountant	Yang Xin, Xu Zongliang
	Name	WuYiGe
Accounting firm engaged by the Company (overseas)	Office address	1504, Xueyuan International Tower No.1 Zhichun Road, Haidian District, Beijing, the PRC
	Names of signing accountant	Yang Xin, Xu Zongliang
Financial advisor performing continuous monitoring and guidance duties during the Reporting Period	Name	Shenwan Hongyuan Financing Services Co., Ltd.
	Office address	3rd Floor, The Center, 989 Changle Road, Shanghai
	Signing officers of financial advisors	Qin Mingzheng and Wang Peng
	Period of continuous monitoring and guidance	31 March 2020 to 31 December 2021
Legal adviser appointed by the Company (domestic)	Name	Guangdong Jingguo Law Firm of China
	Office address	12/F, Guangzhou Exchange Square, 268 Dongfeng Middle Road, Guangzhou
Legal adviser appointed by the Company (Overseas)	Name	Herbert Smith Freehills
	Office address	23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share registrar and transfer office	A Shares	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
	H Shares	Hong Kong Registrars Limited
	Office address	17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

VII MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PAST THREE YEARS

(i) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2020	2019	Change compared to same period last year (%)	2018
Operating income	11,608,460,726.70	21,829,002,963.77	-46.82	19,213,596,394.03
Operating revenue less business revenue not related to the principal operations and commercially non-substantial revenue	11,397,374,517.03	/	/	/
Net profit attributable to shareholders of the Company	3,662,334,382.03	548,320,338.54	567.92	-1,869,014,160.08
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-283,106,559.70	-1,017,092,770.26	Not applicable	-1,757,531,417.38
Net cash flows from operating activities	-1,024,407,420.97	3,735,554,000.96	Not applicable	-1,544,910,134.23

	2020	2019	Change compared to same period last year (%)	End of 2018
Net assets attributable to shareholders of the Company	14,432,091,546.69	10,148,256,838.77	42.21	9,727,437,689.21
Total assets	38,937,517,272.52	52,304,069,154.98	-25.56	47,475,344,086.37

(ii) Key financial indicators

Key financial indicators	2020	2019	Change compared to same period last year (%)	2018
Basic earnings per share (RMB/share)	2.5910	0.3879	567.96	-1.3223
Diluted earnings per share (RMB/share)	2.5910	0.3879	567.96	-1.3223
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.2003	-0.7196	Not applicable	-1.2434
Weighted average return on equity (%)	30.74	5.49	increase of 25.25 percentage points	-17.23
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-2.38	-10.19	increase of 7.81 percentage points	-16.64

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

Explanation on the major accounting data and financial indicators of the Company for the past three years as at the end of the Reporting Period

1. During the Reporting Period, upon the completion of disposal of 27.4214% equity interests in GSI, the Company will only hold 46.3018% equity interests in GSI and due to loss of its control over GSI, GSI will no longer be included in the consolidation scope of the Company since 1 March 2020. The Company's ending balance of balance sheet does not consolidate the data of GSI, and the amount for the current period on income statement and cash flow statement only consolidated the data of GSI from January to February.
 - (1) The changes in the scope of consolidation have varying degrees of impact on certain items of the balance sheet, income statement and cash flow statement of the Company;
 - (2) Due to loss of its control over the subsidiary, it is subject to adjustments in accordance with relevant requirements on accounting treatment for loss of control over an investee as a result of partial disposal of equity investment under the Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statements. The Company recognised an investment income of RMB3.390 billion during the Reporting Period, of which: RMB1.04 billion is recognised for gain on disposal of equity, the remaining equity is re-measured at the fair value to recognise the investment income of RMB1.76 billion and the other equity changes of RMB590 million are carried forward to the profit or loss for the current period.
2. During the Reporting Period, the Company completed the disposal of the remaining 49% equity interest in Chengxi Yangzhou, and upon completion of the disposal, the Company no longer held the equity interest in Chengxi Yangzhou and recognised an investment income of RMB322 million based on the transaction amounts.
3. During the Reporting Period, the Company achieved an operating income of RMB11,608 million, representing a year-on-year decrease of 46.82%, mainly due to the completion of disposal of the equity of GSI during the Reporting Period, the amount of operating income for the current period only consolidated data of GSI from January to February, as well as the combined effects of the persistent downturn in the shipbuilding market, the impact of the COVID-19 epidemic and exchange rate fluctuations.
4. During the Reporting Period, the Company achieved a cumulative operating revenue less business revenue not related to the principal operations and commercially non-substantial revenue of RMB11,397 million. Business income unrelated to the main business amounted to RMB211 million, which mainly consisted of lease income, income from the sale of materials and income from other businesses such as the provision of energy. There were no income without commercial substance.
5. During the Reporting Period, the Company achieved a cumulative net profit attributable to shareholders of the Company of RMB3,662 million, representing a year-on-year increase of 567.92%, and cumulative earnings per share of RMB2.5910, representing a year-on-year increase of 567.96%, mainly due to the impact of the recognition of investment income of RMB3,390 million from the disposal of equity interest in GSI and the recognition of investment income of RMB322 million from the disposal of equity interest in Chengxi Yangzhou during the Reporting Period, which increased the net profit or loss for the current period.
6. During the Reporting Period, the Company achieved a cumulative net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses of RMB-283 million, representing a year-on-year decrease in loss by RMB734 million. Basic earnings per share after deduction of non-recurring gains and losses amounted to RMB-0.2003, representing a year-on-year increase of RMB0.5193, mainly due to the impact of the completion of disposal of equity interest in GSI during the Reporting Period, the amount of the net profit or loss for the current period only consolidated data of GSI from January to February.
7. During the Reporting Period, the net cash flows from operating activities of the Company amounted to RMB-1,024 million, representing a year-on-year decrease of RMB4,760 million, mainly due to the impact of the low percentage of advance receipts for ship products under construction during the Reporting Period due to factors such as the sluggish ship market and the COVID-19 epidemic, resulting in the impact of the overall collection progress of the products being lower than the procurement payment progress.
8. At the end of the Reporting Period, the Company's net assets attributable to shareholders of the Company amounted to RMB14,432 million, representing an increase of 42.21% over the beginning of the year. Weighted average return on net assets was 30.74%, representing a year-on-year increase of 25.25 percentage points, mainly due to the impact of the recognition of investment income from the disposal of the equity interest in GSI and the disposal of the remaining equity interest in Chengxi Yangzhou during the Reporting Period, which increased the net profit or loss for the current period.
9. At the end of the Reporting Period, the balance of exclusively state-owned capital reserve was RMB438 million, which was mainly the state funds allocated to the projects, which should be exclusively owned by the State as capital investment by the State in the Company or its subsidiaries after the completion and acceptance of the projects. In accordance with relevant regulations such as the "Interim Measures for the Administration of the Restructuring and Reorganization of Military Enterprises and Institutions and the Review of Military Operations on Capital Operations after Listing" issued by the State Administration of Defense Science and Technology, the capital reserve formed by state-allocated funds shall be owned by the representative of the investor of state-owned assets, i.e. CSSC, and shall be converted into state-owned shares after fulfilling the necessary procedures in accordance with relevant regulations.

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

VIII MAJOR FINANCIAL DATA FOR 2020 BY QUARTER

Unit: Yuan Currency: RMB

	First quarter (From January to March)	Second quarter (From April to June)	Third quarter (From July to September)	Fourth quarter (From October to December)
Operating income	2,252,367,792.06	2,040,813,391.50	2,334,133,083.38	4,981,146,459.76
Net profit attributable to shareholders of the Company	3,222,717,345.12	-119,879,774.38	215,503,156.32	343,993,654.97
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	-192,174,378.21	-106,786,654.09	-186,642,393.87	202,496,866.47
Net cash flows from operating activities	-1,028,494,509.05	-1,709,023,470.50	-82,762,809.17	1,795,873,367.75

Description:

1. Operating income: During the Reporting Period, operating income increased significantly in the fourth quarter compared with the previous three quarters, mainly due to the seasonal influence of shipbuilding, with the fourth quarter being the prime season for shipbuilding, the production value increased significantly compared with the previous three quarters and the income increased accordingly.
2. Net profit: During the Reporting Period, the net profit attributable to shareholders of the Company in the first quarter was RMB3,223 million, mainly due to the recognition of investment income of RMB3,390 million from the disposal of equity interest in GSI; the net profit attributable to shareholders of the Company in the third quarter was RMB216 million, mainly due to the recognition of investment income of RMB322 million from the disposal of equity interest in Chengxi Yangzhou; the net profit attributable to shareholders of the Company in the fourth quarter was RMB344 million, mainly due to the increase in gross profit of products recognised as a result of the growth in income in the fourth quarter.
3. Net profit after deduction of non-recurring gains and losses: During the Reporting Period, the gross profit of products in the previous three quarters did not cover the expenses incurred during the period, therefore, the net profit after deduction of non-recurring gains and losses were all negative; in the fourth quarter, due to the growth in income, the gross profit of products recognised increased and the comprehensive gross profit could cover the expenses incurred during the period, therefore, the net profit after deduction of non-recurring gains and losses was positive.
4. Net cash flows from operating activities: During the Reporting Period, net cash flows from operating activities started to improve from the third quarter onwards, mainly due to the progress payments for delivery were received in the third and fourth quarters.

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

IX EXTRAORDINARY ITEMS AND THEIR AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2020	Note (where applicable)	Amount for 2019	Amount for 2018
Gain or loss on disposal of non-current assets	-13,672,719.33		-1,064,949.76	-4,393,192.94
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature	1,885,739.20		-	-
Government grants included in current profit or loss, other than on-going government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	138,125,103.91		112,821,078.94	83,710,709.80
Capital occupation fee received from non-financial entities included in current profit or loss	-		-	-
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures	1,760,005.87		-	-
Gain or loss on exchange of non-monetary assets	-		-	-
Gain or loss on entrusted investments or assets under management	15,467,506.84		13,745,972.01	36,316,916.16
Provision for impairment on assets due to force majeure events, such as natural disasters	-		-	-
Gain or loss on debt restructuring	-		-	-
Corporate restructuring costs, such as employee redundancy pay and integration costs	-		-	-
Gain or loss on transactions with obviously unfair transaction price for amount which exceeds fair value	-		-	-
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control	-		-	-190,256,411.61
Gain or loss on other contingencies which are not related to the Company's normal operations	-		-	-
Gain or loss on changes in fair value of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading and derivative financial liabilities, and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading, derivative financial liabilities and other debt investments, except for effective hedging transactions that are closely related to the Company's normal operation	238,754,066.99		-74,006,707.27	-604,509,137.37
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment	56,631,839.83		-	-
Gain or loss on external entrusted loans	-		352,777.77	-
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement	-		-	-
Effect of one-off adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss	-		-	-
Entrusted fee income from entrusted operations	-		-	-
Other non-operating income and expenses apart from the aforesaid items	40,990,968.04		2,286,549,777.59	490,568,264.39
Other gain or loss items meeting the definition of non-recurring gains or losses	3,711,462,297.66	Note	-	-
Effect of minority interests	-177,908,815.62		-621,687,138.60	48,846,860.71
Effect of income tax	-68,055,051.66		-151,297,701.88	28,233,248.16
Total	3,945,440,941.73	-	1,565,413,108.80	-111,482,742.70

Note: "Other gain and loss items meeting the definition of non-recurring gains or losses" were mainly the investment income of RMB3,390 million recognised from the disposal of equity interest in GSI and RMB322 million recognised from the disposal of the remaining equity interest in Chengxi Yangzhou and included in non-recurring gains or loss during the Reporting Period.

SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

X ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the current period
1. Financial assets held-for-trading	48,785,784.80	1,055,191,244.71	1,006,405,459.91	254,221,573.83
2. Financial liabilities held-for-trading	-221,737,672.75	-	221,737,672.75	
3. Investments in other equity instruments	71,248,734.49	3,923,780,494.34	3,852,531,759.85	1,669,325.18
Total	-101,703,153.46	4,978,971,739.05	5,080,674,892.51	255,890,899.01

Description:

1. "Financial liabilities held-for-trading" is a liability, and thus it is listed as negative figure.
2. "Amount of impact on profit for the current period" includes gain or loss on change in fair value and investment income.

SECTION III BUSINESS OVERVIEW OF THE COMPANY

I PRINCIPAL ACTIVITIES, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD

(i) Principal activities

COMEC is a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment being maritime defense equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment. The Group's main products include defense equipment products including military ships, marine police equipment and public service ships, shipbuilding and marine products including feeder containerhips, dredgers, offshore engineering platforms and wind power installation platforms, and marine application business products including energy equipment, high-end steel structures, construction machinery, environmental protection equipment and industrial internet platforms. During the Reporting Period, there was no change to the Group's principal activities.

(ii) Business model

As a holding company, COMEC currently focuses on asset operation and investment management. Its subsidiaries conduct independent production and operation and are engaged in manufacturing and providing customers with high-quality products through research and development of ships, seeking orders and implementing customised order production. The Company is mainly engaged in assembly and construction in the shipbuilding and offshore engineering industrial chain. It has extended to shipbuilding and offshore supporting products at the front end of the industrial chain and full life guarantee at the back end of the industrial chain. During the Reporting Period, there was no change to the Group's business model.

(iii) Industry overview

The shipbuilding industry in which the Group operates is highly cyclical and is mainly subject to factors including the global economic and trading trend, cyclical fluctuation in the shipping market and international crude oil prices. For details of the shipbuilding industry during the Reporting Period, please refer to section IV of this report.

The Group is a large-scale backbone shipbuilding enterprise under China State Shipbuilding Corporation Limited and a national core military production enterprise, its controlling subsidiary, Huangpu Wenchong, was founded in 1851, with a history of 170 years of factory building and 130 years of military industry, and its development history spans three centuries. It is the main construction base for military ships, special engineering ship and maritime engineering in China. It is also the largest and strongest production base for dredging engineering ships and feeder containerhips in China.

(iv) Analysis of factors driving changes in business revenue

During the Reporting Period, the Group achieved operating income of RMB11,608 million, representing a year-on-year decrease of 46.82%, which was mainly affected by the persistent downturn of the shipping market and the completion of the transfer of the controlling interest of GSI during the Reporting Period.

II EXPLANATION FOR MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

1. The Company considered and approved the resolutions in relation to the significant asset disposal and connected transactions at the 13th meeting of the ninth session of the Board held on 4 April 2019, the 16th meeting of the ninth session of the Board held on 7 August 2019, the 19th meeting of the ninth session of the Board held on 16 September 2019 and the first extraordinary general meeting of 2019 held on 23 October 2019, which approved the matters relating to the disposal of 27.4214% of the equity interest in GSI by CSSC Holdings where CSSC Holdings shall pay the transaction consideration by way of non-public issuance of its A shares to the Company, while the Company shall waive its right of first refusal to acquire 23.5786% of the equity interest in GSI and 30.9836% of the equity interest in Huangpu Wenchong. As of 31 March 2020, the implementation of the significant asset disposal and connected transactions of the Company was completed. 27.4214% of equity interest in GSI was registered under the name of CSSC Holdings. Currently, the Company only holds 46.3018% of equity interest in GSI. GSI will no longer be consolidated in the Company. CSSC Holdings has issued 217,494,916 shares of CSSC Holdings to the Company in order to pay for the transaction consideration of the above disposal of 27.4214% equity interest in GSI by the Company.

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

SECTION III BUSINESS OVERVIEW OF THE COMPANY

2. The Company considered and approved the resolution and connected transactions in relation to the transfer of 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited at the 25th meeting of the ninth session of the Board and the second extraordinary general meeting of 2020 held on 9 March 2020 and 24 April 2020, respectively. The Company will transfer the 49% equity interests in Chengxi Yangzhou held by the Company to CSSC Holdings and CSSC Chengxi by way of agreement, with a total transaction amount of RMB963,831,800, of which, CSSC Holdings and CSSC Chengxi will acquire 24% and 25% equity interests in Chengxi Yangzhou, with transaction amount of RMB472,080,900 and RMB491,750,900, respectively. For details, please refer to announcements including the “Announcement in relation to the transfer 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited by COMEC and connected transactions” dated 9 March 2020 published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn). Pursuant to the above equity transfer agreement, CSSC Holdings and CSSC Chengxi have fully paid the transaction consideration of the equity transfer on 31 December 2020.

During the Reporting Period, changes in the scope of consolidation caused by the disposal of equity interests in GSI had varying degrees of impact on certain items on the Company's balance sheet, including cash at bank and on hand, long-term equity investments, investment in other equity instruments, fixed assets, etc., totaling 12 material changes in items. In addition, according to the Company's financial status as at the end of the Reporting Period, five items including financial assets held-for-trading and other current assets have changed by more than 30% year-on-year. For the specific reasons for the changes, please refer to paragraph 3 of article 2 of the “Analysis of assets and liabilities” in Section 4.

Save from the above, there was no material change in the major assets of the Company.

III ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Group's core competitiveness includes product advantages, technological advantages, brand advantages and market advantages.

- (i) **Product advantages.** The Group has the capability of regional general assembly shipbuilding mode and simultaneous construction of multiple vessel types, and it is in leading position in the technical indexes of military vessels, civil vessels and offshore engineering business in China, forming domestic and foreign characteristic products represented by marine police equipment, public service equipment, feeder containerhips, dredging dredgers, etc. The Group will continue to improve and optimize ship models and enhance product performance, while extending products on the basis of advantageous products to form a series of products to better meet customer needs.
- (ii) **Technological advantages.** The Group has 11 science and technology innovation platforms at or above the provincial and ministerial level, such as national enterprise technology center, postdoctoral research station, national engineering laboratory for marine engineering R&D and design, Guangdong engineering technology research center, etc. It is one of the most powerful ship product development and design centers in South China and the first demonstration base of technological innovation for military-civilian combination in Guangdong Province, mastering and possessing independent intellectual property rights in high technology and high value-added products such as feeder containerhips, public service ships, scientific exploration ships, wind power installation platforms, high value-added product and special vessels. Through continuous investment in research and development, the Group insists on independent innovation, tackles difficulties in cutting-edge technologies and focuses on strengthening the research and development of new green, energy-saving and environment-friendly ship types and high-tech and high value-added ship types.
- (iii) **Brand advantages.** In terms of military products, the Group is the most important production and support facility of military ships in South China of the Chinese Navy, and an important public service ship manufacturer in the PRC; in terms of civil products, the Group enjoys great reputation and occupies a leading position in terms of multi-purpose deep water survey ships, feeder containerhips and dredging dredgers; in terms of application industries, the Group has a good reputation in the industry and has undertaken the construction of steel structures for major projects such as the Shenzhen-Zhongshan Bridge and the Hong Kong-Zhuhai-Macao Bridge, and successfully exported offshore wind power equipments to overseas markets.
- (iv) **Market advantages.** The Group's principal business and products have high market share in domestic and overseas markets, which has laid a solid foundation in the market. In particular, it occupies a leading position in the world in terms of feeder containerhips and dredging engineering ships and a leading position in the PRC in terms of military ships, public service ships, marine police ship series and a new generation of large ocean rescue ships.

Such strengths have contributed to the sustainable development of the Company. In addition, against the background of accelerated industry upgrading in the shipbuilding industry and elimination of backward production capacity, the Company will focus on continuously developing core competitiveness including research and development capability and building technologies, explore new growth drivers, improve profitability and provide higher returns to shareholders.

SECTION IV REPORT OF THE BOARD

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2020, the shipbuilding market remained extremely sluggish and new ship prices declined continuously. The Company actively made use of its advantages as a listed company, optimised its industrial structure in an effort to promote the operation and development of its entities. The Group resolutely performed the main responsibility of "improving military products", and at the same time, strengthened the operation and management of civil products, and achieved breakthrough in securing shipbuilding orders against the trend, with orders from application business elevated to a new stage.

1. Driving management enhancement to improve profitability of core business

During the Reporting Period, the Group vigorously overcame the impact of the epidemic and concretely enhanced management to secure delivery of ship products on schedule and improve the profitability. In 2020, the Group realized operating income of RMB11.608 billion and secured operational orders of RMB11.129 billion. For 2020, net profit attributable to the shareholders of the Company was RMB3.662 billion, and net profit attributable to the shareholders of the Company after deduction of non-recurring gains and losses amounted to RMB-283 million.

2. Carrying out capital operation to optimise the Company's industrial structure

During the Reporting Period, the Company completed the delivery of equity interest on the disposal of 27.4214% equity interest in GSI to CSSC Holdings. In addition, the Company transferred the 49% equity interest held in Chengxi Yangzhou to CSSC Holdings and CSSC Chengxi by way of agreement. Such transactions are conducive to the further adjustment and optimisation of the Company's industrial structure, and promoting high-quality development.

3. Expanding business types and developing application business

In 2020, while continuing to improve the operational efficiency of its main business, the Group actively explore application business. Remarkable achievement has been made in steel structure, offshore wind power, environmental protection and industrial internet business, which further enhanced the Company's competitiveness and market influence in application business.

II PRINCIPAL OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the Group completed 34 ship/1.023 million DWT, and realized operating income of RMB11.608 billion, representing a year-on-year decrease of 46.82%. The total profit was RMB3.652 billion, representing a year-on-year increase of RMB2.661 billion or 268.45%. Net profit attributable to the shareholders of the Company were RMB3.662 billion, representing a year-on-year increase of RMB3.114 billion or 567.92%.

(i) Analysis of principal business

1. Table of movement analysis on the related items in income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	11,608,460,726.70	21,829,002,963.77	-46.82
Operating cost	10,854,785,939.26	20,959,294,954.13	-48.21
Selling expenses	14,080,756.77	136,934,171.32	-89.72
Administrative expenses	512,913,683.78	900,958,609.80	-43.07
Research and development expenses	590,364,430.98	557,782,189.67	5.84
Finance cost	23,823,023.38	144,161,671.01	-83.47
Taxes and surcharges	25,301,399.10	66,082,026.09	-61.71
Other income	192,630,357.95	10,978,489.85	1,654.62
Investment income	3,857,610,727.86	32,402,655.69	11,805.23
Gain on change in fair value	212,427,890.50	-79,586,877.26	Not applicable
Credit impairment loss	48,236,347.81	-16,832,835.84	Not applicable
Gain on disposal of assets	-12,675,578.87	-78,454.75	Not applicable
Non-operating income	47,747,243.30	2,294,399,430.83	-97.92
Income tax expense	24,867,464.58	62,538,448.60	-60.24
Net cash flows from operating activities	-1,024,407,420.97	3,735,554,000.96	Not applicable
Net cash flows from investing activities	-3,470,704,961.41	-2,784,697,591.89	Not applicable
Net cash flows from financing activities	-456,510,546.73	1,191,037,144.89	Not applicable

Description :

1. According to the requirements of the "Notice on the Revision and Issuance of the Format of Financial Statements of General Enterprises for 2020" (Cai Kuai [2020] No. 6) issued by the Ministry of Finance in April 2020, the losses from the items of "Credit impairment loss" and "Loss on impairment of assets" are marked with "-".
2. The explanation of the reasons for the changes in the relevant subjects in the table will be explained under the following items.

SECTION IV REPORT OF THE BOARD

2. Analysis of income and cost

During the Reporting Period, the Group's operating income is mainly derived from shipbuilding products, offshore engineering products, steel structure engineering, ship maintenance and modification, electromechanical products and others. For details of the specific policies and methods for income recognition, please refer to the notes to financial statements.

During the Reporting Period, the Company completed the disposal of 27.4214% equity interests in GSI. Following the completion of disposal, the Company only held 46.3018% equity interests in GSI, which shall no longer be included in the scope of consolidation from 1 March 2020 due to loss of control. Therefore, the income and cost of the Company for the current period only included data of GSI from January to February.

(1) Principal business by industry, by product and by region

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	11,397,374,517.03	10,757,470,798.26	5.61	-47.19	-48.26	Increase of 1.95 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	9,459,434,393.10	9,115,929,697.67	3.63	-42.60	-43.79	Increase of 2.04 percentage points
1. Bulk carriers	982,516,718.48	899,514,547.14	8.45	69.26	61.54	Increase of 4.37 percentage points
2. Oil tankers	245,129,888.16	316,911,954.31	-29.28	-94.69	-93.66	Decrease of 21.02 percentage points
3. Containerships	2,463,087,874.05	2,685,144,064.27	-9.02	-10.21	-4.58	Decrease of 6.44 percentage points
4. Special ships and others	5,768,699,912.41	5,214,359,131.95	9.61	-32.43	-33.54	Increase of 1.51 percentage points
(II) Offshore engineering products	-292,329,627.20	-291,322,991.88	0.34	-122.13	-123.95	Decrease of 7.59 percentage points
(III) Steel structure engineering	1,622,936,840.14	1,463,615,768.05	9.82	-19.33	-18.31	Decrease of 1.13 percentage
(IV) Ship maintenance and modification	449,244,650.68	366,308,458.22	18.46	-56.90	-57.39	Increase of 0.95 percentage points
(V) Electromechanical products and others	158,088,260.31	102,939,866.20	34.88	-78.21	-85.42	Increase of 32.18 percentage points

SECTION IV REPORT OF THE BOARD

By region	Principal business 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)	8,356,317,728.53	7,344,963,352.73	12.10	-37.08	-40.22	Increase of 4.63 percentage points
Other regions in Asia	1,478,914,239.25	1,622,585,544.81	-9.71	-11.34	-7.25	Decrease of 4.83 percentage points
Europe	645,318,980.90	780,023,754.80	-20.87	-79.12	-76.55	Decrease of 13.22 percentage points
Oceania	741,035,904.67	758,852,834.21	-2.40	-24.62	-24.10	Decrease of 0.70 percentage point
North America	-313,601,083.30	-319,474,835.95	-1.87	-171.45	-184.89	Decrease of 16.13 percentage points
Africa	489,388,746.98	570,520,147.66	-16.58	-76.54	-71.83	Decrease of 19.48 percentage points
South America	-	-	-100	-100	Not applicable	Increase of 20.98 percentage points

Note: The above table of "Principal business by region" is categorised based on the final region where the products are to be sold.

Description of principal business by industry, by product and by region

During the Reporting Period, the Group's income from its principal business amounted to RMB11.397 billion, representing a year-on-year decrease of 47.19%. The gross profit of principal business amounted to RMB640 million, and gross profit margin amounted to 5.61%, representing a year-on-year increase of 1.95 percentage points. The increase was mainly attributable to the combined effect of completion of disposal of equity interest in GSI during the Reporting Period, the amount for the current period only consolidated the data of GSI from January to February, the persistent downturn in the shipbuilding market, the impact of the COVID-19 epidemic and volatility of exchange rate.

Excluding the data related to GSI, a key description of principal business by product and by region is as follows:

Unit: Yuan Currency: RMB

By product	Principal businesses 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	9,061,384,305.53	8,648,000,429.67	4.56	-6.26	-5.45	Decrease of 0.82 percentage point
1. Bulk carriers	976,333,328.74	893,331,157.40	8.50	84.09	78.86	Increase of 2.68 percentage points
2. Containerships	2,463,087,874.05	2,685,144,064.27	-9.02	-10.21	-4.58	Decrease of 6.44 percentage points
3. Special ships and others	5,621,963,102.74	5,069,525,208.00	9.83	-12.06	-13.09	Increase of 1.07 percentage points
(II) Offshore engineering products	-292,329,627.20	-291,322,991.88	0.34	-122.13	-123.95	Decrease of 7.59 percentage points
(III) Steel structure engineering	1,549,827,146.73	1,395,498,248.19	9.96	64.75	75.65	Decrease of 5.59 percentage points
(IV) Ship maintenance and modification	293,806,001.98	241,591,042.32	17.77	0.15	8.58	Decrease of 6.39 percentage points
(V) Electromechanical products and others	170,068,329.47	136,227,989.31	19.90	-64.15	-70.05	Increase of 15.77 percentage points

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By region	Principal business 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)	8,148,682,923.47	7,205,460,270.20	11.58	-9.77	-11.06	Increase of 1.28 percentage points
Other regions in Asia	1,359,127,385.02	1,450,999,613.53	-6.76	47.52	48.16	Decrease of 0.46 percentage point
Europe	486,627,430.79	580,021,987.35	-19.19	-24.03	-19.23	Decrease of 7.08 percentage points
Oceania	741,035,904.67	758,852,834.21	-2.40	-20.16	-19.69	Decrease of 0.60 percentage point
North America	-378,135,444.13	-367,876,323.66	2.71	-229.89	-251.65	Decrease of 13.96 percentage points
Africa	425,417,956.69	502,536,335.98	-18.13	-49.89	-38.81	Decrease of 21.39 percentage points
South America	-	-	-	-100.00	-100.00	Not applicable
Total	10,782,756,156.51	10,129,994,717.61	6.05	-15.07	-14.40	Decrease of 0.73 percentage point

Description:

During the Reporting Period, the Group's income from its principal business amounted to RMB10.783 billion, representing a year-on-year decrease of 15.07%, of which: steel structure business segment represented a year-on-year increase of 64.75%, ship maintenance and modification business segment remained flat as compared with last year, while business segments of ship, offshore engineering, electro-mechanical products and others all recorded a year-on-year decrease, representing a decrease of 6.26%, 122.13% and 64.15% respectively. The gross profit of principal business amounted to RMB653 million, and gross profit margin amounted to 6.05%, representing a year-on-year decrease of 0.73 percentage point. Save for the gross profit margin of electromechanical products and others segment recording an increase of 15.77 percentage points, the gross profit margin of all other segments decreased, of which: ship products decreased by 0.82 percentage point, offshore engineering decreased by 7.59 percentage points, steel structure products decreased by 5.59 percentage points and ship maintenance and modification decreased by 6.39 percentage points.

As for the structure of products, the percentage of income from the marine business remained stable at above 80%. During the Reporting Period, the percentage of income from marine business slightly decreased compared with that of last year whereas the percentage of income from steel structure engineering business increased. During the Reporting Period, the marine business contributed 81.32% of total income, representing a year-on-year decrease of 5.22 percentage points, among them, shipbuilding business contributed 84.04%, representing a year-on-year decrease of 7.9 percentage points, and offshore engineering contributed -2.71%, representing a year-on-year decrease of 13.12 percentage points; steel structure engineering business contributed 14.37%, representing a year-on-year increase of 6.96 percentage points; the percentage of total income from the business segment electromechanical products and others contributed 1.58%, representing a year-on-year decrease of 2.16 percentage points; and the income from ship maintenance and modification remained substantially consistent with last year.

1) Shipbuilding business

Income from the shipbuilding business amounted to RMB9.061 billion, representing a year-on-year decrease of 6.26%, and its gross profit margin was 4.56%, representing a year-on-year decrease of 0.82 percentage point. The main reason for the decrease in income and gross profit was the decline in the exchange rate of US dollar against Renminbi from 6.9762 to 6.5249 during the Reporting Period. The significant appreciation of Renminbi resulted in the decrease of income from contracts denominated in foreign currencies. Other causes for the decrease included the impact of the COVID-19 epidemic which resulted in delay in arrival of some imported materials, temporary shortage of labour, delay in the progress of shipbuilding and the corresponding increase in fixed costs shared by unit shipbuilding product.

2) Offshore engineering business

Income from the offshore engineering business amounted to RMB-292 million, representing a year-on-year decrease of 122.13%, and its gross profit margin was 0.34%, representing a year-on-year decrease of 7.59 percentage points. The main reason for the decrease in income and gross profit was that the operating contract party of the residential platform project of Huangpu Wenchong was proposed to change during the Reporting Period and it will be changed to recognition of income at a point of time.

SECTION IV REPORT OF THE BOARD

3) Steel structure engineering business

Income from the steel structure engineering business amounted to RMB1.55 billion, representing a year-on-year increase of 64.75%, and its gross profit margin was 9.96%, representing a year-on-year decrease of 5.59 percentage points. The main reason for the increase in income was the rapid development of the offshore wind power industry in China and orders secured for infrastructure of offshore wind power increased significantly during the Reporting Period. The decrease of gross profit margin was mainly due to adjustment of product structure, and the earlier recognition of income for high margin products has basically come to an end and the current gross profit margin of steel structure products is stabilising.

4) Ship maintenance and modification business

Income from the ship maintenance and modification business amounted to RMB294 million, which was basically flat compared to last year, and its gross profit margin was 17.77%, representing a year-on-year decrease of 6.39 percentage points. During the Reporting Period, the Group firmly pursued improving military products business and the overall business development of maintenance and modification on ships was steady. The decrease in gross profit margin was mainly attributable to adjustment of product structure, and overall product costs increased due to the impact of the COVID-19 epidemic.

5) Electromechanical products and other business

Income from the electromechanical products and other business amounted to RMB170 million, representing a year-on-year decrease of 64.15%, and its gross profit margin was 19.90%, representing a year-on-year increase of 15.77 percentage points. The main reason for the decrease in income was the focusing of efforts to develop steel structure engineering business by Guangzhou Wenchuan Heavy Industrial Co. Ltd., a subsidiary of the Company, during the Reporting Period. The increase in gross profit margin was mainly due to overall decrease in income from electromechanical products and other business and the increase in the proportion of ship leasing income with higher gross profit margin.

By geographic region, during the Reporting Period, operating income from sales to China (including Hong Kong, Macau and Taiwan) decreased by 9.77% year-on-year and operating income from sales to overseas markets decreased by 28.14% year-on-year, among which changes in the year-on-year income from other regions in Asia, North America, Africa and South America were relatively large, representing an increase of 47.52%, a decrease of 229.89%, a decrease of 49.89% and a decrease of 100%, respectively. The changes were mainly due to the regional differences of customers in the orders held during the Reporting Period. The gross profit margin of China (including Hong Kong, Macau and Taiwan) increased by 1.28 percentage points year-on-year, which was mainly due to the gross profit contributed by special ships and others as well as steel structure products. The gross profit margin of regions other than China decreased by 9.19 percentage points, which was mainly due to the combined effect of adjustment of product structure, volatility in exchange rate and impact of the COVID-19 epidemic. The Group will actively respond to the persistent and extreme downturn of the shipbuilding industry and the decrease in the price of new ships. The Company will make use of its own strengths, take active initiatives, resolutely perform the main responsibility of "improving military products", strictly follow the orders of military products, strengthen the operation and management of civil products, and vigorously develop domestic and overseas markets.

(2) Analysis of production and sales volume

Principal product	Unit	Production volume	Sales volume	Inventory volume	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory volume over last year (%)
Shipbuilding products	Ten thousand of DWT	102.3	102.3	0	109.98	109.98	0
Steel structure engineering	Ten thousand tons	12.84	12.84	0	78.58	78.58	0

Description of production and sales volume

During the Reporting Period, the Group's production and sales volume changed significantly year-on-year due to the impact of the disposal of equity interest in GSI. The above table has excluded the impact of the data related to GSI, and the details are as follows: the substantial year-on-year increase in completed tonnage of shipbuilding products was mainly due to the delivery of three 120,000 tons MINICAPE type bulk carriers during the Reporting Period, and the substantial year-on-year increase in completed tonnage of steel structures was mainly due to the delivery of five pipe sections of Shenzhen-Zhongshan Bridge during the Reporting Period.

SECTION IV REPORT OF THE BOARD

(3) Cost analysis

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
Shipbuilding Industry	Direct materials	757,410.20	70.41	1,400,268.94	67.35	-45.91	
	Processing costs	334,969.03	31.14	719,501.28	34.60	-53.44	
	Impairment loss	-16,632.15	-1.55	-40,610.08	-1.95	-59.04	
		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
Shipbuilding products	Direct materials	676,048.53	62.85	1,144,532.48	55.05	-40.93	
	Processing costs	251,346.59	23.36	512,246.93	24.64	-50.93	
	Impairment loss	-15,802.14	-1.47	-34,991.62	-1.68	-54.84	
Offshore engineering products	Direct materials	-20,167.54	-1.87	82,251.80	3.96	-124.52	
	Processing costs	-8,155.27	-0.76	44,702.86	2.15	-118.24	
	Impairment loss	-809.50	-0.08	-5,317.72	-0.26	-84.78	
Steel structure engineering	Direct materials	88,241.19	8.20	122,427.74	5.89	-27.92	
	Processing costs	58,120.39	5.40	57,033.57	2.74	1.91	
	Impairment loss	-	-	-300.74	-0.01	-100.00	
Ship maintenance and modification	Direct materials	7,603.23	0.71	19,773.61	0.95	-61.55	
	Processing costs	29,027.61	2.70	66,198.63	3.18	-56.15	
	Impairment loss	-	-	-	-	-	
Electromechanical products and others	Direct materials	5,684.79	0.53	31,283.31	1.50	-81.83	
	Processing costs	4,629.71	0.43	39,319.29	1.89	-88.23	
	Impairment loss	-20.51	-0.00	-	-	-	
Total		1,075,747.08	100.00	2,079,160.14	100.00	-48.26	

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

Description:

During the Reporting Period, as affected by the disposal of equity interest in GSI, the year-on-year changes in the cost composition of the direct materials, processing costs and impairment loss were large. Excluding data related to GSI, the cost composition of the principal business of the Group were as follows:

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
Shipbuilding Industry	Direct materials	729,206.64	71.99	841,445.96	71.10	-13.34	
	Processing costs	298,135.16	29.43	357,842.85	30.24	-16.69	
	Impairment loss	-14,342.33	-1.42	-15,818.11	-1.34	-9.33	Note 1

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By product	Cost composition	Amount of current period	By product		Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
			Proportion among total cost this year (%)	Amount for the corresponding period of last year			
Shipbuilding products	Direct materials	654,592.69	64.62	675,842.77	57.11	-3.14	
	Processing costs	223,719.69	22.08	249,012.43	21.04	-10.16	
	Impairment loss	-13,512.32	-1.33	-10,199.65	-0.86	32.48	Note 1
Offshore engineering products	Direct materials	-20,167.54	-1.99	82,251.80	6.95	-124.52	Note 2
	Processing costs	-8,155.27	-0.81	44,702.86	3.78	-118.24	Note 2
	Impairment loss	-809.50	-0.08	-5,317.72	-0.45	-84.78	Note 1
Steel structure engineering	Direct materials	85,848.10	8.47	54,975.55	4.65	56.16	Note 3
	Processing costs	53,701.72	5.30	24,772.44	2.09	116.78	Note 3
	Impairment loss	-	-	-300.74	-0.03	-100.00	Note 3
Ship maintenance and modification	Direct materials	6,232.68	0.62	5,288.18	0.45	17.86	
	Processing costs	17,926.43	1.77	16,961.27	1.43	5.69	
	Impairment loss	-	-	-	-	-	
Electromechanical products and others	Direct materials	2,700.71	0.27	23,087.66	1.95	-88.30	Note 4
	Processing costs	10,942.59	1.08	22,393.85	1.89	-51.14	Note 4
	Impairment loss	-20.51	-0.00	-	-	-	Note 1
Total		1,012,999.47	100.00	1,183,470.70	100.00	-14.40	

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 contract performance progress under long-term shipbuilding contracts has met the condition for recognition of gross profit during the Reporting Period. The reversal of provision for impairment of construction-in-progress was RMB143.4233 million during the Reporting Period, representing a year-on-year decrease of RMB14.7578 million mainly due to the year-on-year decrease in the provision made for loss-making shipbuilding contracts under construction for which the condition to revenue recognition has been met during the Reporting Period.

Note 2: During the Reporting Period, the direct material cost of offshore engineering products business segment incurred was RMB-201.6754 million, representing a year-on-year decrease of 124.52%; processing cost incurred was RMB-81.5527 million, representing a year-on-year decrease of 118.24%, mainly attributable to reversal of income and costs recognised in previous period due to the proposed change in the operating contract party of offshore engineering platform project during the Reporting Period.

Note 3: During the Reporting Period, the direct material cost of steel structure engineering business segment incurred was RMB858.4810 million, representing a year-on-year increase of 56.16%; processing cost incurred was RMB537.0172 million, representing a year-on-year increase of 116.78%, mainly due to the facts that, on the one hand, the output value of this business segment during the Reporting Period increased significantly year-on-year, the income increased by 64.75% year-on-year, and the cost of materials consumed and processing cost increased accordingly; on the other hand, the processing cost of construction-in-progress accounted for a relatively larger portion of cost during the Reporting Period as a result of the difference in product structure of this segment.

Note 4: During the Reporting Period, the direct materials of the electromechanical products and other business segments incurred was RMB27.0071 million, representing a year-on-year decrease of 88.30%, processing cost incurred was RMB109.4259 million, representing a year-on-year decrease of 51.14%, mainly due to the decrease in business income in this segment during the Reporting Period, and as the income decreased by 64.15% year-on-year, the material consumption and processing cost decreased accordingly, and the processing cost of such business accounted for a relatively larger portion of cost during the Reporting Period as a result of the difference in product structure of this segment.

SECTION IV REPORT OF THE BOARD

(4) Information on major customers and major suppliers

Sales to five largest customers amounted to RMB6,521.2316 million, representing 57.21% of total annual sales, of which sales to related parties were RMB0, representing 0% of total annual sales.

Procurement from five largest suppliers amounted to RMB2,510.6021 million, representing 23.34% of total annual procurement cost, of which procurement from related parties was RMB2,224.2976 million, representing 20.68% of total annual procurement cost.

Other explanations

The main raw materials of the ship products of the Company comprise materials and equipment, which are mainly procured through open tenders or competitive negotiations. Materials mainly comprise steel, pipes, paint, and cables, and equipment mainly comprise machinery-mounted equipment, ship-mounted equipment, electrical equipment, and outfitting equipment. The main raw materials procured overseas mainly comprise certain machinery-mounted equipment and outfitting equipment, which generally account for no more than 25% of total raw materials procured. During the year, the range of major raw materials price fluctuations against last year was no more than 30%.

3 Expenses

During the Reporting Period, the Group's total expenses amounted to RMB1.141 billion, representing a year-on-year decrease of 34.41%, details of which are as follows:

Unit: RMB in ten thousand

Item	Current period	Corresponding period of last year	Change	Change (%)
Selling expenses	1,408.08	13,693.42	-12,285.34	-89.72
Administrative expenses	51,291.37	90,095.86	-38,804.49	-43.07
Research and development expenses	59,036.44	55,778.22	3,258.22	5.84
Finance cost	2,382.30	14,416.17	-12,033.87	-83.47

Description:

- (1) Selling expenses amounted to RMB14.0808 million, representing a year-on-year decrease of 89.72%, mainly due to the combined impact of the completion of disposal of equity interests in GSI during the Reporting Period, the amount for the current period only consolidated the data of GSI from January to February, and the reduction in warranty charges accrued by Huangpu Wenchong during the Reporting Period;
- (2) Administrative expenses amounted to RMB512.9137 million, representing a year-on-year decrease of 43.07%, mainly due to the impact of the completion of disposal of equity interests in GSI during the Reporting Period, the amount for the current period only consolidated the data of GSI from January to February;
- (3) Research and development expenses amounted to RMB590.3644 million, representing a year-on-year increase of 5.84%, mainly due to the combined impact of the completion of disposal of equity interests in GSI during the Reporting Period, the amount for the current period only consolidated the data of GSI from January to February, and the increase in R&D investment by Huangpu Wenchong;
- (4) Finance costs amounted to RMB23.8230 million, representing a year-on-year decrease of 83.47%, mainly due to the combined impact of the completion of disposal of equity interests in GSI during the Reporting Period, the amount for the current period only consolidated the data of GSI from January to February, and the greater year-on-year increase in net foreign exchange losses as compared to the increase in net interest income and expenditure as a result of the change in exchange rate of Huangpu Wenchong.

SECTION IV REPORT OF THE BOARD

4 Research and development expenses

(1) Breakdown of research and development expenses

	<i>Unit: RMB</i>
Research and development expense recorded as expenses during the period	590,364,430.98
Capitalised research and development expenses for current period	–
Total research and development expenses	590,364,430.98
Percentage of total research and development expenses over operating income (%)	5.09
Number of research and development staff	1,327
Number of research and development staff over total number of staff (%)	17.42%
Percentage of capitalised research and development expenses (%)	–

(2) Description

In 2020, the Group constantly enhanced its technological R&D and innovation capabilities, actively promoted product research and development, process improvement, digitalization and smart manufacturing technologies, made breakthroughs in key technologies and processes in product design and construction, strengthened research and development on new environmental protection ships and ships with high technology and high added value, and advanced the Company's self-innovation capability. During the year, the Group focused on about 160 key projects such as Antarctic krill ships, Sanya transport ship and large maritime patrol ship, among which, 61 projects have been accepted, 461 patents application were made and 135 patents were authorized.

5 Cash Flows

During the Reporting Period, the increase in net cash and cash equivalent of the Group amounted to RMB-4,964 million, representing a year-on-year decrease of RMB7,111 million. Details of the composition of the cash flows from operating activities, investing activities and financing activities are as follows:

Unit: RMB in ten thousand

Item	Current period	Corresponding period of last year	Change	Change (%)
Net cash flows from operating activities	-102,440.74	373,555.40	-475,996.14	Not applicable
Net cash flows from investing activities	-347,070.50	-278,469.76	-68,600.74	Not applicable
Net cash flows from financing activities	-45,651.05	119,103.71	-164,754.76	Not applicable

Description:

- (1) Net cash flows from operating activities was RMB-1,024 million, a decrease of RMB4,760 million year-on-year, mainly due to impacts such as a sluggish shipbuilding market and the COVID-19 epidemic during the Reporting Period, the proportion of prepayment from shipbuilding decreased, resulting in the rate of the progress of overall collection being lower than the progress of payment for procurement.
- (2) Net cash flows from investing activities was RMB-3,471 million, a decrease of RMB686 million year-on-year, mainly due to the combined effect of the cash balance at the end of February 2020 amounting RMB4.188 billion was reclassified to "Other cash payments relating to investing activities" due to the completion of the disposal of the equity interest in GSI during the Reporting Period, and increase in net pledged fixed deposits as a result of release of deposits during the Reporting Period.
- (3) Net cash flows from financing activities was RMB457 million, a decrease of RMB1,648 million year-on-year, mainly due to the effect of the decrease in net financing during the Reporting Period as compared with the last year.

SECTION IV REPORT OF THE BOARD

6 Others

Details of other items with significant changes in the composition or source of profit of the Group during the Reporting Period are as follows:

Unit: RMB in ten thousand

Item	Current period	Corresponding period of last year	Change	Change (%)
Taxes and surcharges	2,530.14	6,608.20	-4,078.06	-61.71
Other income	19,263.04	1,097.85	18,165.19	1,654.62
Investment income	385,761.07	3,240.27	382,520.80	11,805.23
Gain on change in fair value	21,242.79	-7,958.69	29,201.48	Not applicable
Credit impairment loss (loss expressed with "-")	4,823.63	-1,683.28	6,506.91	Not applicable
Gain on disposal of assets	-1,267.56	-7.85	-1,259.71	Not applicable
Non-operating income	4,774.72	229,439.94	-224,665.22	-97.92
Income tax expense	2,486.75	6,253.84	-3,767.09	-60.24

Description:

- (1) Taxes and surcharges amounted to RMB25.3014 million, representing a year-on-year decrease of 61.71%, mainly due to the impact of the completion of disposal of the equity interest of GSI during the Reporting Period, the amount for the current period only consolidated data of GSI from January to February.
- (2) Other income amounted to RMB192.6304 million, representing a year-on-year increase of 1,654.62%, mainly due to the effect of the increase in government grants received under this item during the Reporting Period.
- (3) Investment income amounted to RMB3,857.6107 million, representing a year-on-year increase of 11,805.23%, mainly due to the effect of investment income of RMB322 million recognised from the disposal of the remaining equity interest in Chengxi Yangzhou during the Reporting Period.
- (4) Gain on change in fair value amounted to RMB2,124.2790 million, representing a year-over-year increase of RMB292.1480 million, mainly due to the effect of realised gains on financial derivatives held as a result of exchange rate fluctuations during the Reporting Period, while realised losses were recognised on financial derivatives held at the end of the last year.
- (5) Credit impairment loss (loss expressed with "-") amounted to RMB48.2363 million, a year-on-year increase of RMB65.0691 million, mainly due to the impact of reversal of bad debt provision as a result of increase in the receipt in instalments for sale of goods under long-term receivables due to rebound of market prices during the Reporting Period.
- (6) Gain on disposal of assets amounted to RMB-12.6756 million, a year-on-year decrease of RMB12.5971 million, mainly due to the impact of the year-on-year increase in losses on disposal of fixed assets and intangible assets during the Reporting Period.
- (7) Non-operating income amounted to RMB47.7472 million, representing a year-on-year decrease of 97.92%, mainly due to the impact of GSI recognising a net gain for land storage compensation of RMB1.279 billion and Wenchong Shipyard recognized a net gain for phase I of the land relocation compensation of RMB999 million last year.
- (8) Income tax expense amounted to RMB24.8675 million, representing a year-on-year decrease of 60.24%, mainly due to the combined effect of the completion of the disposal of equity interest in GSI during the Reporting Period, and the amount for the current period only consolidated the data of GSI from January to February, as well as increase of deferred income tax expenses due to reversal of deferred income tax assets of deductible losses upon expiry.

SECTION IV REPORT OF THE BOARD

(ii) Explanation for material change in profit due to non-principal business

- During the Reporting Period, the Group's investment income increased by RMB3,825 million year-on-year, mainly due to the Company completed the disposal of 27.4214% equity interest in GSI to CSSC Holdings; meanwhile, the Company transferred its 49% equity interest in Chengxi Yangzhou to CSSC Holdings and CSSC Chengxi by way of agreement (For details, please refer to the "Announcement in relation to completion of Implementation for the significant asset disposal and connected transactions" and the "Announcement in relation to transfer of 49% Equity Interest in CSSC Chengxi Yangzhou Shipbuilding Company Limited and connected transactions" published by the Company on the websites of the SSE (www.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn) on 30 March 2020 and 9 March 2020 respectively). The above transactions brought an investment income of RMB3.712 billion to the Company during the Reporting Period.
- During the Reporting Period, the Group's non-operating income decreased by RMB2,247 million year-on-year, mainly due to the impact of GSI recognising a net gain for land storage compensation of RMB1.279 billion and Wenchong Shipyard recognized a net gain for phase I of the land relocation compensation of RMB999 million last year.

(iii) Analysis of assets and liabilities

1 Assets and liabilities

Unit: RMB

Item	Amount at the end of current year	Proportion of total assets at the end of current year (%)	Amount at the end of last year	Proportion of total assets at the end of last year (%)	Change in amount at the end of current period compared with that at the end of last year (%)	Description
Cash in bank and on hand	8,767,750,124.49	22.52	14,317,366,099.93	27.37	-38.76	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period, and the progress of collection was lower than the progress of payment during the Reporting Period.
Financial assets held-for trading	1,055,191,244.71	2.71	48,785,784.80	0.09	2,062.91	Entrusted wealth management and structured deposits were added during the Reporting Period.
Notes receivable	161,625,007.63	0.42	633,564,863.60	1.21	-74.49	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Accounts receivable	1,244,416,936.61	3.20	2,350,380,440.10	4.49	-47.05	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Prepayments	1,218,386,548.91	3.13	2,339,261,199.21	4.47	-47.92	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other receivables	132,470,963.43	0.34	1,822,048,699.16	3.48	-92.73	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period, and the receipt of relocation compensation by Wenchong Shipyard, a subsidiary, during the Reporting Period.
Non-current assets due within one year	-	-	692,000,000.00	1.32	-100.00	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other current assets	577,884,115.75	1.48	350,850,895.77	0.67	64.71	At the end of the Reporting Period, the balance of VAT tax retaining/credit increased.

SECTION IV REPORT OF THE BOARD

Item	Amount at the end of current year	Proportion of total assets at the end of current year (%)	Amount at the end of last year	Proportion of total assets at the end of last year (%)	Change in amount at the end of current period compared with that at the end of last year (%)	Description
Long-term equity investments	4,938,277,647.10	12.68	753,695,038.72	1.44	555.21	Increase in long-term equity investments due to the completion of the disposal of equity interest of GSI during the Reporting Period, and the remaining equity are measured at fair value and accounted for using the equity method, as well as decrease in long-term equity investments due to the disposal of remaining equity interest of Chengxi Yangzhou during the Reporting Period.
Investments in other equity instruments	3,923,780,494.34	10.08	71,248,734.49	0.14	5,407.16	The completion of the disposal of equity interest of GSI during the Reporting Period, and the counterparty used the issuance of shares as the transaction consideration and hence the increase in the investments in equity instruments.
Investment properties	149,261,481.66	0.38	20,993,939.36	0.04	610.97	Increase in leasing of buildings and structures to external parties during the Reporting Period.
Fixed assets	3,952,299,253.50	10.15	11,439,928,689.69	21.87	-65.45	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Construction in progress	348,779,440.60	0.90	1,181,944,326.01	2.26	-70.49	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Intangible assets	918,938,540.79	2.36	2,072,573,536.99	3.96	-55.66	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Goodwill	-	-	144,231,195.67	0.28	-100.00	The completion of the disposal of equity interest of GSI during the Reporting Period, and the balance of goodwill at the end of the Reporting Period was zero.
Long-term prepaid expenses	21,210,225.34	0.05	75,592,524.66	0.14	-71.94	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other non-current assets	389,850,209.29	1.00	78,019,489.34	0.15	399.68	Increase of relocation expenses to be written off of Wenchong Shipyard, a subsidiary, as at the end of the Reporting Period.
Short-term borrowings	2,049,871,666.70	5.26	6,147,082,148.56	11.75	-66.65	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Financial liabilities held-for trading	-	-	221,737,672.75	0.42	-100.00	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period, and the fair value recognised for financial derivatives was positive at the end of the Reporting Period and recorded as financial assets held-for-trading.
Accounts payable	5,587,133,569.37	14.35	8,687,397,898.75	16.61	-35.69	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Prepayments	7,855,200.00	0.02	-	-	-	Increase in the balance of prepaid rentals for fixed assets as at the end of the Reporting Period.

SECTION IV REPORT OF THE BOARD

Item	Amount at the end of current year	Proportion of total assets at the end of current year (%)	Amount at the end of last year	Proportion of total assets at the end of last year (%)	Change in amount at the end of current period compared with that at the end of last year (%)	Description
Contract liabilities	5,172,239,729.14	13.28	8,488,146,386.62	16.23	-39.07	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Employee benefits payable	851,463.48	-	40,446,901.64	0.08	-97.89	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Taxes payable	26,054,822.85	0.07	72,234,563.79	0.14	-63.93	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other payables	158,810,463.41	0.41	344,881,770.61	0.66	-53.95	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Other current liabilities	319,331,239.99	0.82	63,237,341.88	0.12	404.97	Increase in endorsed but not due bills payable, advance receipts for ship storage and output value-added tax payable at the end of the Reporting Period.
Long-term borrowings	2,117,721,642.34	5.44	6,049,757,000.00	11.57	-64.99	The completion of the disposal of equity interest of GSI during the Reporting Period, GSI was excluded from the amount at the end of current period, and the reclassification of long-term borrowings due within one year.
Long-term payables	-	-	101,816,823.07	0.19	-100.00	State funds allocated to projects were carried forward to capital reserve during the Reporting Period.
Estimated liabilities	146,653,315.33	0.38	694,854,560.21	1.33	-78.89	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period, as well as decrease in the balance of product quality warranty.
Deferred income	78,742,779.90	0.20	150,307,309.25	0.29	-47.61	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.
Deferred tax liabilities	281,517,181.48	0.72	9,514,927.47	0.02	2,858.69	During the Reporting Period, changes in fair value of investment in other equity instruments were recognised as an increase in deferred tax liabilities.
Other comprehensive income	699,020,433.90	1.80	-41,694,917.30	-0.08	-1,776.51	During the Reporting Period, the net aftertax changes in fair value of investment in other equity instruments increased.
Special reserve	-	-	443,910.04	-	-100.00	At the end of the Reporting Period, the balance of the provision on work safety fees was zero.
Undistributed profit	1,973,789,791.39	5.07	-1,605,393,084.53	-3.07	Not applicable	At the end of the Reporting Period, the net gains or losses increased.
Minority interests	3,119,050,691.04	8.01	5,399,466,849.10	10.32	-42.23	The completion of the disposal of equity interest of GSI during the Reporting Period, and GSI was excluded from the amount at the end of current period.

2 Major restricted assets at the end of the Reporting Period

As at the end of the Reporting Period, the Group had term deposits with maturity of over 3 months, monetary funds with restricted right-of-use such as letters of guarantees/letters of credits/deposit for forward exchange contracts amounting to RMB3,048,383,016.18 in total. Such restrictions will be lifted after the relevant contracts have been fulfilled. Please refer to the notes to the financial statements for details of the use of restricted cash at bank and on hand.

SECTION IV REPORT OF THE BOARD

(iv) Analysis of industry operation

- The three major shipbuilding indicators fell and the market downturn continued.** According to statistics of Clarkson Research Services Limited of the United Kingdom, in 2020, global new shipbuilding orders amounted to 59.33 million DWT (deadweight tonnage) ("DWT") and 22.10 million CGT (revised gross tonnage) ("CGT"), representing a year-on-year decrease of 9.2% and 14.1% respectively, and the completion and delivery volume was 89.44 million DWT and 29.93 million CGT, representing a year-on-year decrease of 9.5% and 8.4% respectively. As of the end of December 2020, global orders on hand decreased to 159 million DWT and 69.93 million CGT, representing a year-on-year decrease of 15.3% and 7.7% respectively. The global new shipbuilding market experienced three extreme market conditions, being in 2009, 2012 and 2016, since the global financial crisis. In 2020, the shipbuilding market fell to a trough again due to the chain reactions caused by the COVID-19 epidemic.
- The price of new ships continued to decline and the decrease in the price of main ship types was larger than the average.** A lack of demand meant intensified competition and a diminished bargaining power of shipbuilders. As at the end of December 2020, the Clarkson new ship price index was 125.6, down 3.2% year-on-year, representing a larger decline than last year and a low since January 2018. For main ship types, the transaction price of VLCC decreased 7.6%, the transaction price of 15,000 TEU very large container ship decreased 6.4% and the transaction price of 210,000 DWT Capesize bulk vessel decreased 5.8%, as compared with the end of 2019. The imbalance of supply and demand led to intensified competition among shipbuilders for new ship orders, which aggravated the price decline.
- Tankers became the main type in the new ship market in the year, and orders for container ships and liquefied gas tankers picked up later in the year.** The decreases in new ship orders for bulk vessels and luxury cruise ships were relatively large, while the decreases for tankers and liquefied gas tankers were less than the average. Orders for container ships increased slightly against the trend due to orders made near the end of the year. In terms of tankers, new ship order market for tankers was hot, driven by ship owners' profitability amid rising freight rates. In terms of liquefied gas tankers, upstream production such as gas exploration was delayed due to impact of the epidemic. However, as the global economic activity gradually recovered, new ship orders for large LNG carrier began to rebound rapidly since the fourth quarter of 2020. In terms of container ships, there was a dramatic change in the global container shipping industry from a wide spread suspension caused by the epidemic to a strong recovery. The prosperous container shipping industry in the second half of 2020 stimulated ship owners to make a large number of new ship orders.
- The offshore engineering market remained sluggish, with the proportion of orders for construction equipment increased.** In 2020, there were orders for 85 platforms/vessels for approximately US\$6.9 billion in the offshore engineering market, both the number and amount decreased significantly when compared with last year. Among which, 10 marine survey equipment, 36 construction equipment, 27 production, storage and shipping equipment, 10 offshore engineering support ships and only 2 mobile drilling equipment were traded. From the perspective of transaction structure, mobile drilling equipment transactions were still low, floating production equipment remained relatively stable and the proportion of construction equipment was increasing.

Note: The above information and data are from China Association of the National Shipbuilding Industry.

(v) Analysis of investments

1. General analysis of external equity investments

The Company is an investment holding company, and details of its external investments are set out in the notes to the financial statements. As at the end of the Reporting Period, the balance of the Group's long-term equity investments was RMB4,938.2776 million, representing an increase of 555.21% from RMB753.6950 million as at the beginning of the year. The increase was mainly attributable to the increase in long-term equity investments due to the combined effect of the disposal of equity interest in GSI with loss of controlling interest during the Reporting Period, and the remaining equity interest was measured at fair value and accounted for using the equity method, as well as the decrease in long-term equity investments due to the disposal of the remaining 49% equity interest in Chengxi Yangzhou during the current period.

(1) Financial assets measured at fair value

During the Reporting Period, the Group's financial assets measured at fair value included financial assets held-for-trading and financial liabilities held-for-trading such as forward exchange contracts, foreign exchange swaps and foreign exchange option trading portfolio contracts, as well as investments in other equity instruments. In particular, for financial assets held-for-trading and financial liabilities held-for-trading, at measurement date, the public quotations from 3 banks before adjustment were obtained. According to prudence principle, one quotation is chosen to be input value. The debt rate published by the PBOC is chosen to be discount rate (please refer to the notes to the financial statements for details). For investments in other equity instruments, the shares held in listed companies were measured at their closing market prices, and those without public market quotations were measured using valuation techniques. The breakdown of items measured at fair value during the Reporting Period is as follows:

Unit: Yuan Currency: RMB

Name of item	Beginning balance	Ending balance	Change	Amount of impact on profit for the current period
1. Financial assets held-for-trading	48,785,784.80	1,055,191,244.71	1,006,405,459.91	254,221,573.83
2. Financial liabilities held-for-trading	-221,737,672.75	-	221,737,672.75	
3. Investments in other equity instruments	71,248,734.49	3,923,780,494.34	3,852,531,759.85	1,669,325.18
Total	-101,703,153.46	4,978,971,739.05	5,080,674,892.51	255,890,899.01

SECTION IV REPORT OF THE BOARD

Explanation:

- 1) The Group values the research of exchange risk management policies and strategies, and entered into forward exchange contracts (forward exchange settlement), foreign exchange swaps and foreign exchange options trading portfolio contracts with banks to prevent exchange rate risks. As of the end of the Reporting Period, the Group had a total of 77 outstanding US dollar forward settlement foreign exchange contracts with total amount of US\$384.30 million and latest settlement date of 24 March 2023, and recognised gains on changes in fair value of RMB193.1150 million as at the end of the year; the Group had a total of 34 outstanding option portfolios with an amount of US\$84.60 million and latest settlement date of 24 November 2022, and recognized a gain on changes in fair value of RMB0 as at the end of the year. During the Reporting Period, gains or losses on changes in fair value and investment income totaling RMB238.7541 were recognized in respect of such financial assets.
- 2) As at the end of the Reporting Period, the book cost of financial assets held-for-trading (such as entrusted wealth management and structured deposits) was RMB856.3073 million with fair value as at the end of the period was RMB862.0762 million, and investment income of RMB15.4675 million was recognized during the Reporting Period.
- 3) As at the end of the Reporting Period, the book cost of other equity instruments was RMB2,910,0685 million with fair value as at the end of the period was RMB3,923.7805 million, and dividend income of RMB1.6693 million was recognized during the Reporting Period.

During the Reporting Period, the Group held financial assets measured at fair value of RMB4,978.9717 million, and their impact on profit for the current period (including gain or loss on change of fair value and investment income) amounted to RMB255.8909 million.

(vi) Major asset and equity sale

1. The Company considered and approved the resolutions in relation to the significant asset disposal and connected transaction at the 13th meeting of the ninth session of the Board of the Company held on 4 April 2019, the 16th meeting of the ninth session of the Board of the Company held on 7 August 2019, the 19th meeting of the ninth session of the Board of the Company held on 16 September 2019 and the first extraordinary general meeting of 2019 held on 23 October 2019, which approved the matters relating to the disposal of 27.4214% of the equity interest in GSI to CSSC Holdings where CSSC Holdings shall pay the transaction consideration by way of non-public issuance of its A shares to the Company, while the Company shall waive its right of first refusal to acquire 23.5786% of the equity interest in GSI and 30.9836% of the equity interest in Huangpu Wenchong. As of 31 March 2020, the implementation of the significant asset disposal and connected transactions of the Company was completed. The 27.4214% of equity interests in GSI was registered under the name of CSSC Holdings. Currently, the Company only holds 46.3018% of equity interest in GSI, GSI will no longer be consolidated in the Company. CSSC Holdings has issued 217,494,916 shares of CSSC Holdings to the Company in order to pay for the transaction consideration of the above 27.4214% equity disposed by the Company.

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

SECTION IV REPORT OF THE BOARD

2. The Company considered and approved the resolution and connected transactions in relation to the transfer of 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited at the 25th meeting of the ninth session of the Board and the second extraordinary general meeting of 2020 held on 9 March 2020 and 24 April 2020, respectively. The Company would transfer the 49% equity interests in Chengxi Yangzhou held by the Company to CSSC Holdings and CSSC Chengxi by way of agreement, with a total transaction amount of RMB963.8318 million, of which, CSSC Holdings and CSSC Chengxi would acquire 24% and 25% equity interests in Chengxi Yangzhou, with transaction amount of RMB472.0809 million and RMB491.7509 million, respectively. For details, please refer to announcements “Announcement in relation to the transfer 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited by COMEC and connected transactions” dated 9 March 2020 published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn). Pursuant to the above equity transfer agreement, CSSC Holdings and CSSC Chengxi have fully paid the transaction consideration of the equity transfer on 31 December 2020.

(vii) Analysis of major subsidiaries and associates

1 Analysis of direct subsidiaries and associates

Unit: RMB'000

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the current period
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	361,918	54.5371	2,449,389.57	663,003.77	11,660.82
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	142,017.84	100	547,107.13	216,601.56	-10,151.31
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	6,800	100	65,838.56	-26,304.26	-6,990.52
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	11,000	100	206,693.24	14,788.97	2,048.52
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	40.5	691.39	563.58	92.14
Guangzhou Xinhang Human Resources Service Co., Ltd.	Human resources development and management consulting; professional intermediary services; personnel leasing; personnel training; personnel recommendation; labor dispatch services;	200	75	883.18	234.38	56.68
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	813.51	680.30	47.17
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	2,242.49	445.59	67.80
CSSC (Guangzhou) New Energy Co., Ltd.	New energy investment; new energy technology development and application; new energy engineering design and installation; new energy consulting; new energy research and development, technology promotion services, technical consulting, technology transfer; development and sales of new energy products and accessories	1,800	61.96	191.38	144.73	-9.50
Wah Loong International Marine Limited	Ship leasing	HK\$1,000,000	99	43,233.40	4,914.40	2,054.03
Wah Shun International Marine Limited	Ship leasing	HK\$1,000,000	99	14,980.35	561.77	270.30
CSSC Industrial Internet Co., Ltd.	Information transmission, software and information technology services	5,000	100	2,013.98	1,240.01	183.55

SECTION IV REPORT OF THE BOARD

2 · Subsidiary with net profit or investee company with investment income accounting for over 10% of net profit of the Company

Unit: RMB0'000

Name of entity	Income from principal business	Profit from principal business	Net profit
Guangzhou Shipyard International Company Limited	990,026.91	55,693.21	8,536.20

Description:

During the Reporting Period, upon the completion of disposal of 27.4214% of the equity interest in GSI, the Company will only hold 46.3018% of the equity interest in GSI and due to loss of its control over GSI, GSI will no longer be included in the consolidation scope of the Company. In view of the above-mentioned reality, it is subject to adjustments in accordance with relevant requirements on accounting treatment for loss of control over an investee as a result of partial disposal of equity investment under the Accounting Standards for Enterprises No.33-Consolidated Financial Statements. The Company recognised the investment income of RMB3.390 billion during the Reporting Period, of which: RMB1.04 billion is recognized for gain on disposal of equity interest, the remaining equity interest is re-measured at the fair value to recognise the investment income of RMB1.76 billion and the other equity changes of RMB590 million are carried forward to the profit or loss for the period.

III DISCUSSION AND ANALYSIS OF THE COMPANY CONCERNING THE FUTURE DEVELOPMENT OF THE COMPANY

(i) Industry landscape and trends

The competition between the three major shipbuilding countries, namely China, Japan and Korea, continues. In China, shipbuilding enterprises are improving their alignment with market demand through initiatives such as constant optimisation of supply structure and improvement of supply quality, as well as seeking R&D breakthroughs in new marine equipment and enhancing competitiveness in mid-and high-end ship products. In Korea, shipbuilding enterprises will maintain their advantages in high value-added products such as LNG ship, VLCC and VLGC based on their strong technological advantages and high efficiency in shipbuilding. In Japan, the adverse position of having a declining market share is driving stronger joint restructuring and joint cooperation between shipbuilding enterprises, which results in concentration of shipbuilding resources to advantageous enterprises.

We may see a rebound in the new ship market. In 2021, as the global economy recovers, international marine shipping and trade is expected to return to a normal track gradually and the suppressed new ship orders from ship owners may be released. Moreover, new opportunities will arise from the domestic "big circulation" and the term not defined agreement. It is expected that new ships traded in 2021 will rise from the trough and make a corrective rebound. Meanwhile, the rebound of new ship demand may mitigate the severe competition of seizing orders with low prices. Furthermore, as the impact of the epidemic recedes and the economy and society recover, the rising cost of raw materials and the use of new green and modern marine equipment will drive the price of new ship higher. In 2021, new shipbuilding orders around the world is expected to be around 80 million DWT with a total value reaching US\$55 billion.

The new construction market of offshore engineering exhibits diverse trends. In 2021, it is expected that the rebound of global oil demand and international crude oil prices will be limited, and not enough to support a recovery trend of the offshore engineering market. In terms of equipment types, the demand for new construction of drilling platform and offshore engineering ships will still be scarce due to the difficulty in the reduction of idle equipment and equipment inventory, and the transaction price will remain low, whereas orders for floating production platform is expected to have a corrective growth due to release of demand from delayed project developments, however, the rebound in prices may be suppressed due to intensified competition. On the other hand, given the good development trend of marine renewable energy such as offshore wind power, the demand for related shipping and maintenance equipment is expected to release continuously and support a rebound of the offshore engineering market. In 2021, the global transaction amount of new construction of offshore engineering equipment is expected to reach US\$10 billion.

Green and intelligent will remain the main theme of ship technology development. Under the impact of increasing environmental protection awareness of the international community and increasingly stringent marine rules and regulations, the trend of developing greener ships will be more significant, and the scope of intelligent ships will expand further, and mainstream ship types will be transformed and upgraded to intelligent ships.

(ii) Development strategies of the Company

The Group will earnestly study and understand the spirit and connotation of the 19th Session of National Congress of the Communist Party of China, carry out major strategic decisions of the CCCPC and State Council and resolutely implement the strategic plan of the CCCPC on promoting high-quality development including “Three Strategies for Strengthening the Nation, Two Strategies for Meeting the First-Class Standard ” (三個強國·兩個一流). Following Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and under the guidance planning for high quality development, the Group sets up the strategic goal of establishing the position of international leading comprehensive marine industrial developer and committing to creating high-quality marine equipment, strengthening the military to serve the country, deepening the cultivation of ocean, developing harmoniously, and becoming the global first class marine equipment enterprise with the integration of research and development, manufacturing and service.

In the face of the New Normal development of the ship market, the Group, by adhering to its corporate values of “innovation, efficiency and win-win cooperation” and following the development philosophy of “insisting on both manufacturing and service”, will actively build the portfolio of three major businesses, namely maritime defense equipment business, shipbuilding and offshore engineering equipment business and marine technology innovation application business, which will fully implement the major strategies of the Belt and Road Initiative, military-civilian integration, and building strong manufacturing power and marine power. With “optimising structure, deepening reform and innovative development” as the main theme, the Group will promote expansion of traditional manufacturing business into scope with higher value, further strengthen its core activities, while vigorously developing emerging industries, accelerating transformation and upgrading to realize high-quality development.

(iii) Business plan

In 2020, the Group recorded an operating income of RMB11.608 billion, completing 98.18% of the annual target; and secured orders with contract value of RMB11.129 billion, completing 79.95% of the annual target.

In 2021, the Group plans to realize operating income of RMB11.2 billion and to secure orders with contract value of RMB13.1 billion. The Group will actively adapt to new market trend and strengthen principal business operation; improve productivity and cost control; make more efforts on research and development of products to enhance the leading power of innovation, in order to achieve the 2021 business plan.

The business objectives above do not represent the profit forecast of the Company for 2021, 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.

(iv) Potential risks

1. Financial risks

- (1) Exchange rate risk: The Group’s exchange rate risk arises from the possibility of the increase or decrease in the value of assets (or creditor’s rights) and liabilities (or debts) denominated in foreign currencies due to exchange rate fluctuations. It is mainly concentrated on export shipbuilding orders denominated in United States dollars. The Group will continue to adhere to the aim of risk prevention. Based on the exchange rates at the time of the undertaking of orders by it, the Group will strengthen the analysis of exchange rate trend and formulate exchange rate risk prevention plans.
- (2) Interest rate risk: The Group’s interest rate risk is generated by bank borrowings and mainly comes from the uncertainty caused by changes in market interest rates. Floating interest rate may expose the Group to interest rate risk of cash flow, while fixed interest rate may expose the Group to interest rate risk of fair value. The Group carefully considers the changes in domestic and overseas market and economic environment and national monetary policies and formulates and timely adjusts effective interest rate risk management plans in light of its own production status.

For the extent of impact of change in exchange rate and interest rate on the Company, please refer to notes to financial statements.

SECTION IV REPORT OF THE BOARD

2. *Customer risk*

Due to the persistent downturn in the shipping market and offshore market and the impact of the COVID-19 epidemic this year, ship owners may experience difficulties in financing and tight funds, resulting in default in shipbuilding payment, deferred recognition of delivery and amendment of contracts, which subject the Company's orders on hand to default risk. The Group will further strengthen the management of contract performance, enhance the creditworthiness investigation of ship owners and project process management, increase ship owners' default cost and strengthen the early warning and monitoring of contractual performance and promote the delivery of orders in hand.

3. *Cost risk*

In view of the development of the shipbuilding and shipping market, firstly, with the gradual recovery of the domestic economy, the price of bulk raw materials have shown an upward trend; secondly, the external market environment is sluggish due to the combine effect of the epidemic, highlighted the difficulty of receiving orders, the quantity of goods is insufficient, and the cost of products under construction has increased; thirdly, affected by the labor market environment, the labor cost rises rigidly. The Group will prevent cost risk from the source of production through improved management, carry out cost engineering projects, cost control with quality and efficiency to boost performance. It will keep materials and labor costs under control, closely monitor the price trends of its materials and make procurement arrangements in a timely manner, with a view to achieving a continuous decrease in the proportion of costs to revenue.

(vi) **Others**

1 *Management contracts*

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2020.

2 *Environmental policies and performance*

The Group is committed to maintaining the sustainability of the environment and community in which it operates. By adhering to an attitude to protect environment, the Group strives to comply with the laws and regulations relating to environment protection and has adopted effective measures to realise efficient utilisation of resources, save energy and reduce emission of wastes.

3 *Compliance with laws and regulations*

During the Reporting Period, so far as the Company is aware, the Company has been in compliance with the relevant laws and regulations which have material impacts on the Company's operation in all material respects.

4 *Relationship with stakeholders*

The Company has always adhered to the concept that with great virtue one can take charge of the world. It actively delivers returns to shareholders, practices honesty towards customers, cares for employees and contributes to the community. As such, while accelerating its own development, the Company also actively participates in public service activities and contributes to the community. It attaches great importance to the harmonious and win-win development of the Group, its employees and the community.

By order of the Board
Han Guangde
Chairman

I PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT CAPITAL RESERVES INTO SHARE CAPITAL

(i) Formulation, implementation or adjustment of cash dividend policy

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

1 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.

2 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.

3 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:
 - 1) 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;
 - 2) Auditors issue a standard audit report opinion without qualifications for the Company's financial report for the year;
 - 3) The Company's asset-liability ratio shall not exceed 70%;
 - 4) 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 million;

SECTION V SIGNIFICANT EVENTS

- 5) 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.

During the Reporting Period, no adjustment was made to the Company's policies for distribution of profits for ordinary shares. The Company will actively implement the cash dividend policy and create reasonable return for investors. For the Company's profit distribution policy, please refer to the Shareholders' Circular dated 5 December 2014 or the "Information about the Fourth Extraordinary General Meeting of 2014" published by the Company on the websites of the Stock Exchange, the SSE and the Company and the Articles of Association.

As considered and passed at the 4th meeting of the tenth session of the Board of the Company, the proposal for profit distribution of the Company for 2020 is as follows: The Company intends to distribute a cash dividend of RMB1.66 (including tax) for every 10 shares to all shareholders, and the total cash dividends to be distributed will be RMB234,642,058.75 (including tax), calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2020. The remaining undistributed profit will be carried forward for distribution in subsequent years. The Company will not convert capital reserve into share capital for 2020. The profit distribution proposal is subject to the approval at the 2020 annual general meeting.

- (ii) **Plan or pre-arranged plan for dividend distribution or plan or pre-arranged plan to convert capital reserves into share capital in the previous three years (inclusive of the Reporting Period)**

Unit: Yuan Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (inclusive of tax)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements during the year of distribution	Percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)
2020	0	1.66	0	234,642,058.75	3,662,334,382.03	6.41
2019	0	0	0	0	548,320,338.54	0
2018	0	0	0	0	-1,869,014,160.08	0

II FULFILLMENT OF UNDERTAKINGS

(i) Undertakings made by the actual controller, shareholders, connected persons, buyers and the relevant parties of the Company made or effective during the Reporting Period

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner
Undertaking relating to the material asset reorganisation	Solving the defects on titles to lands	CSSC	Arrangements for supporting the relocation and upgrading of Huangpu Wenchong and Wenchong Shipyard. Pursuant to overall planning of Guangzhou Municipal Government, a land parcel of Huangpu Wenchong at Changzhou Street ("Changzhou Plant") and a land parcel located at Wenchong Plant owned by Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard"), a subsidiary of Huangpu Wenchong, are no longer suitable for industrial use in shipbuilding in accordance with the planning for the regions in which they are located, and will be recovered as reserve by Guangzhou Municipal Government. As such, in accordance with the relevant requirements for management of state-owned assets, these two parcels of land and buildings thereon will be transferred to Guangzhou Ship Industrial Co., Ltd. under CSSC for free. As for the transfer and subsequent matters, it was agreed as follows: 1. The transfer of land and buildings thereon was due to the adjustment to urban planning which caused these assets to be no longer suitable for incorporation into the Company. As such, in order to maintain normal production and operation of Huangpu Wenchong and Wenchong Shipyard, it was agreed that the land of Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, of which the ownership has been transferred to Guangzhou Ship Industrial Co., Ltd. under CSSC, will be leased to Huangpu Wenchong and Wenchong Shipyard for continued use, and the rent will be paid based on existing land amortisation, property depreciation and relevant taxes and expenses. In addition, CSSC will spare no efforts to facilitate Guangzhou Municipal Government in finalising the land for new plants and complete the relocation from Changzhou Plant and Wenchong Plant as soon as practicable. 2. Given there are certain granted land and properties without ownership certificates in Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, if such land or properties cannot continue to be utilised due to these arrangements, causing adverse impact to the production and operation of Huangpu Wenchong and Wenchong Shipyard, CSSC will actively coordinate in solving the issue and fully indemnify Huangpu Wenchong and Wenchong Shipyard in cash against any economic losses incurred. 3. CSSC will actively assist Huangpu Wenchong and Wenchong Shipyard in future communication with Guangzhou Municipal Government in compensation for the relocation.	Made on 31 October 2014	No	Yes
	Others	CSSC	1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to removal, transportation and installation of some of the assets to be demolished due to relocation shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard; 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, CSSC will make up the difference in cash within 90 days after relevant government compensation is in place.	Made on 3 March 2015	No	Yes

SECTION V SIGNIFICANT EVENTS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner
Solving the issues concerning competition in the same industry	CSSC		<p>*.....In light of the strategic restructuring of CSSC and CSIC, in order to facilitate the acceleration of market-oriented debt-to-equity swaps and the strategic restructuring of the shipping industry, it is planned to optimize and adjust the implementation steps of the original plan (the "Adjusted Plan") as follows:</p> <ol style="list-style-type: none"> Step 1: China State Shipbuilding proposed to acquire 100% equity interest of Jiangnan Shipbuilding held in aggregate by the 9 counterparties through share offering, namely CSSC Group, CSSC Investment, ICBC Investment, BOCOM Investment, National Civil-Military Integration Industry Investment Fund Co., Ltd., Guohua Junmin Fund, ABC Investment, Guoxin Jianxin Fund, Bank of China Investment, Dongfu Guochuang and Guofa Fund; proposed to acquire 36.2717% equity interest of Waigaoqiao Shipbuilding and 21.4598% equity interest of CSSC Chengxi held in aggregate by 9 counterparties through share offering, namely CSSC, Huarong Ruitong, New China Life Insurance, China Structural Reform Fund, CPIC Property Insurance, China Life, PICC, ICBC Investment, Dongfu Tianheng, through share offering; proposed to acquire 23.5786% equity interest of GSI and 30.9836% equity interest of Huangpu Wenchong held in aggregate by 9 counterparties through share offering, namely Huarong Ruitong, Zhongyuan Asset, New China Life Insurance, China Structural Reform Fund, CPIC Property Insurance, China Life, PICC, ICBC Investment and Dongfu Tianheng; proposed to acquire 27.4214% equity interest of GSI held by COMEC through share offering. (China Shipbuilding Issues Shares to Acquire Assets); Step 2: CSSC, with 100% equity interest in CSSC Marine Power, 51% equity interest in CSSC Marine Power Institute and 15 equity interest in CSSC Mitsui, and China Shipbuilding, with 100% equity interest in Eastern Shanghai Heavy Machinery, jointed established CSSC Marine Power Group ("Establishment of Power Platform"); Step 3: COMEC conducted asset replacement by virtue of 54.5371% equity interest in Huangpu Wenchong, 46.3018% equity interest in GSI and shareholding of CSSC Marine Power Group held by China State Shipbuilding Corporation and CSSC ("Asset Swaps"). <p>The three steps of the plan are not inter-conditional with each other. CSSC has made the following commitments on the Adjusted Plan:</p> <ol style="list-style-type: none"> CSSC promises to start Step 2 (that is, build a power platform) simultaneously when Step 1 (that is, CSSC Holdings issues shares to purchase assets and raise funds) is implemented; and also promises to start Step 3 within six months after the implementation of Steps 1 and 2 (that is, Asset Swaps), to eliminate the competition between CSSC Holdings and COMEC. If CSSC violates such commitments and prejudice the interests of CSSC Holdings and COMEC, CSSC agrees to take corresponding liability; CSSC guarantees that if such commitments are violated, CSSC is willing to bear the corresponding legal liabilities. 	Made on 12 September 2019	Yes	Yes
Settlement of connected transactions	CSSC		<ol style="list-style-type: none"> Upon completion of the restructuring, CSSC and enterprises under control of CSSC and listed companies and subsidiaries will minimize and avoid related party transactions. In conducting necessary and unavoidable connected transactions, it will ensure fair operation based on the principles of marketization and fair prices, and perform trading procedures and information disclosure obligations in accordance with relevant laws, regulations, rules and other normative documents and Articles of Association of COMEC, management system of connected transactions and other provisions. When voting on connected transactions at general meetings, it will abstain from voting. CSSC guarantees that it will not prejudice the legitimate rights and interests of listed companies and their shareholders through connected transactions. It will exercise the rights of shareholders in accordance with relevant laws and regulations such as the Company Law of the People's Republic of China and the Articles of Association of COMEC; CSSC undertakes not to harm the legitimate interests of listed company and other shareholders with its status as a shareholder of listed company. Once the letter of commitment is signed, it constitutes an effective, legal and binding commitment to CSSC. CSSC is willing to take full compensation for the economic losses caused to the listed company and its shareholders in violation of the above commitments. 	Made on 7 August 2019	No	Yes
Others	CSSC		<p>Upon completion of the restructuring, CSSC, as the controlling shareholder of COMEC, will continue to exercise the rights of shareholders in accordance with laws, regulations and the Articles of Association of COMEC. CSSC will not affect the independence of COMEC by virtue of its status as a controlling shareholder and will maintain the independence of COMEC in terms of assets, personnel, finance, business and institutions.</p>	Made on 7 August 2019	No	Yes

III ANALYSIS AND EXPLANATION OF THE COMPANY ON THE REASONS AND IMPACT OF THE CHANGE IN ACCOUNTING POLICY, ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS

(i) Analysis and explanation of the Company on the reasons and impact of the change in accounting policy and accounting estimates

1. Changes in accounting policies

The Group did not change its accounting policies during the year.

2. Changes in accounting estimates

The Group held the third meeting of the tenth session of the Board of Directors and the third meeting of the tenth session of the Board of Supervisors on 29 December 2020. The "Proposal on Changes in Accounting Estimates" was reviewed and approved, which will be implemented on 1 October 2020.

(1) Reason for changes

In accordance with the "Accounting Standards for Business Enterprises No. 28-Accounting Policies, Changes in Accounting Estimates and Error Corrections", and combined with the actual situation of the Group, in order to correspond to accounts receivable and other receivables (hereinafter referred to as "accounts receivable") more accurately, and to reflect the financial status and operating results of the Group more objectively and fairly, the accounting estimates on provision for bad debts corresponding to accounts receivable are changed.

(2) The applicable accounting estimates before changing

- ① For accounts receivable among enterprises within the scope of the consolidated financial statements of the Group, the Group judges that there is no expected credit loss. Therefore, no provision for bad debts is made.
- ② The Group conducts a separate impairment test for the accounts receivable and other accounts receivable with signs of impairment for which the initial confirmation date is more than 1 year. And according to the difference of the book value of accounts receivable and the expected receipt of the present value in cash flow, determines the expected credit loss of the accounts receivable, and makes provision for bad debts.
- ③ For other accounts receivable that have not been individually tested, basing on the actual credit losses in previous years and taking into account the forward-looking information of this year, the estimated default loss rate is 0.5%, the Group determined the expected credit loss at 0.5% of the balance on the balance sheet date. Then, the company make provision for bad debts.

SECTION V SIGNIFICANT EVENTS

(3) *The applicable accounting estimate after changes*

- ① The Group judges that there is no expected credit loss for related party accounts receivable, non-overdue deposits and security deposits, reserve funds and employee loans, and government and public institutions receivables, which have no signs of impairment. Therefore, the Company do not need to make provision for bad debts.
- ② The Group will conduct a separate impairment test for those receivables that have signs of impairment and other receivables that are applicable to individual tests. The difference between the book value of the receivables and the expected cash flow value, determines the expected credit loss of accounts receivable, according to which, the company makes provision for bad debts.
- ③ For other accounts receivable that have not been individually tested, the Group determines the estimated LGD based on the actual credit losses in previous years and the forward-looking information of this year (see the table below). And basing on the estimated LGD calculate the expected credit loss of accounts receivable and make provision for bad debts.

Aging	The estimated default loss rate of accounts receivable (%)	The estimated default loss rate of other receivables (%)
0-6 months (including 6 months)	0	0
6 months – 1 year (including 1 year)	0.5	0.5
1-2 years (including 2 years)	10	10
2-3 years (including 3 years)	30	30
3-5 years (including 5 years)	80	80
over 5 years	100	100

(4) *Impact*

This change in accounting estimates using the future application method reduces the Group's net profit for 2020 by RMB13.24 million and shareholders' equity by RMB13.24 million (including: shareholders' equity attributable to the parent company of RMB7.33 million and attributable to minority interests of RMB5.91 million).

IV APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: Yuan Currency: RMB

Currently appointed

Name of domestic accounting firm	WUYIGE Certified Public Accountants LLP
Compensation of domestic accounting firm	1,210,000
Number of years of audit by domestic accounting firm	2 years
Name of overseas accounting firm	–
Compensation of overseas accounting firm	–
Number of years of audit by overseas accounting firm	–

	Name	Compensation
Accounting firm for internal control audit	WUYIGE Certified Public Accountants LLP	300,000
Financial consultant	–	–
Sponsor	–	–

Description of appointment and dismissal of accounting firms

- (i) It was considered and passed at the annual general meeting of 2019 of the Company that, WUYIGE was re-appointed as the Company's 2020 financial report auditor. The audit remuneration is RMB1.21 million (inclusive of tax). As of 31 December 2020, WUYIGE provided audit services for the Company for 1 year. The financial statements in the Company's annual report 2020 were prepared according to the Accounting Standards for Business Enterprises of the PRC, and audited by WUYIGE. WUYIGE will retire upon expiry of term and offer themselves for re-appointment.
- (ii) It was considered and passed at the 28th meeting of the ninth session of the Board of the Company that the Company re-appointed WUYIGE as the Company's internal control auditor for 2020. The audit remuneration is RMB0.30 million (inclusive of tax). WUYIGE will audit the effectiveness of the Company's internal control and issue an audit report.
- (iii) The Company's financial report auditor for 2018 was ShineWing Certified Public Accountants LLP.

SECTION V SIGNIFICANT EVENTS

V MATERIAL LITIGATIONS AND ARBITRATIONS

The Company has no material litigations or arbitrations during the year

VI MATERIAL CONNECTED TRANSACTIONS

(i) Connected transactions in the ordinary course of business

1. *Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation*

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange, routine connected transactions constitute the continuing connected transaction, particulars of these transactions have been disclosed in the notes to the financial statements in accordance with Rule 14A.71.

Auditor of the financial report and Directors of the Company (including four independent non-executive Directors) have reviewed the continuing connected transactions and confirm that such transactions are conducted in the Company's ordinary course of business on normal commercial terms and in accordance with related contractual provisions; the transaction terms are fair and reasonable, and in the shareholders' interests as a whole; and the transactions did not exceed the cap amounts for year 2020, as approved in the shareholders' meeting.

The Company's auditor has issued a letter with unqualified opinions on the findings and conclusion of the Group's above mentioned continuing connected transactions under Rule 14A.56 of the Listing Rules.

In accordance with Chapter 14A of the Listing Rules, certain related transaction set out in notes to the financial statements (prepared under the Accounting Standards for Business Enterprises in the PRC) also constitute continuing connected transactions and the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

SECTION V SIGNIFICANT EVENTS

Connected transactions in the ordinary course of business for 2020 (from January to December)

Unit: Ten thousand Currency: RMB

No	Content and type of transaction	Cap approved at general meeting	Actual transaction amount	Proportion of total amount of transactions of the same type (%)	Pricing basis
1	Products and services provided by COMEC to the CSSC				
1.1	Provision of ship products, electromechanical equipment and metallic materials	481,247.00	125,962.24	11.04	Market price
1.2	Supply of utilities	192.00	82.70	16.78	Cost plus a 20-25% management fee or on prices no less favourable to the Group than prices available from independent third parties
1.3	Environmental protection business including leasing, labour supply, ship products and land restoration, and other technical services related to engineering	15,520.00	1,064.85	5.55	On prices no less favourable to the Group than prices available from independent third parties
2	Products and services provided by CSSC to the COMEC				
2.1	Provision of equipment for use on ships, electromechanical equipment, accessories and materials	621,949.00	543,057.44	57.86	Market price or on terms no higher to the Group than terms available from independent third parties
2.2	Leasing, labour supply, technical services, etc.	53,067.00	39,960.19	13.02	On prices no less favourable to the Group than prices available from independent third parties or cost plus a 10% management fee or market price
3	Financial services provided by CSSC to COMEC				
3.1	Deposits (maximum limit)	623,500.00	617,986.99	70.48	Appropriate rise of benchmark deposit interest rate set by the People's Bank of China
3.2	Deposits (interest)	8,165.00	6,706.09	26.40	
3.3	Loans (maximum limit)	502,900.00	89,990.00	6.31	No more than benchmark loan interest rate set by the People's Bank of China; on rate no less favourable to the Group than the terms available from independent third parties
3.4	Loans (interest)	10,586.00	712.90	4.57	
3.5	Others and bank facilities (maximum limit)	657,000.00	244,106.69	41.16	On terms no less favourable to the Group than terms available from independent third parties
3.6	Others and bank facilities (handling fee)	362.00	222.56	10.74	
3.7	Forward exchange settlement (maximum limit)	474,056.00	347,565.18	58.61	Handling fee set by the People's Bank of China; On terms no less favourable to the Group than terms available from independent third parties
3.8	Entrusted assets management services (maximum limit)	300,000.00	215,000.00	100.00	Based on market price, on charging terms no less favourable to the Group than terms available from
3.9	Entrusted assets management services independent third parties (interest)	4,455.00	1,546.75	100.00	
4	Guarantee provided by CSSC to COMEC				
4.3	Maximum guarantee amount	480,000.00	124,882.32	100.00	CSSC shall not charge any guarantee fees from COMEC, related terms shall not be less favourable to the terms available from independent third parties
4.4	Guarantee fee	1,280.00	-	-	
5	Ship sales agency services provided by CSSC to COMEC				
5.1	Ship sales agency	4,613.00	1,852.70	21.47	Follow the worldwide industry practice and will not exceed 1.5% of the contract price and be paid in according to the shipbuilding progress of the vessel in question
6	Guarantee provided by CSSC to COMEC				
6.1	Materials purchase agency	374.00	4.14	100.00	Follow the worldwide industry practice and 1-2% of the contract price in general

SECTION V SIGNIFICANT EVENTS

(ii) Connected transactions in relation to the acquisition or disposal of assets or equity interests

1 *Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation*

Summary of matter

The Company considered and approved the resolutions in relation to the significant asset disposal and connected transaction at the 13th meeting of the ninth session of the Board held on 4 April 2019, the 16th meeting of the ninth session of the Board held on 7 August 2019, the 19th meeting of the ninth session of the Board held on 16 September 2019 and the first extraordinary general meeting of 2019 held on 23 October 2019, which approved the matters relating to the disposal of 27.4214% of the equity interest in GSI by CSSC Holdings where CSSC Holdings shall pay the transfer consideration by way of non-public issuance of its A shares to the Company, while the Company shall waive its right of first refusal to acquire 23.5786% of the equity interest in GSI and 30.9836% of the equity in Huangpu Wenchong. As of 31 March 2020, the implementation of the significant asset disposal and connected transaction of the Company was completed. The 27.4214% of equity interest in GSI was registered under the name of CSSC Holdings. Currently, the Company only holds 46.3018% of equity interest in GSI, GSI will no longer be consolidated in the Company. CSSC Holdings has issued 217,494,916 shares of CSSC Holdings to the Company in order to pay for the transfer consideration of the above 27.4214% equity disposed by the Company.

Index for details

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

2 *Matters disclosed in announcements with progress or change in the follow-up implementation*

The Company considered and approved the resolution and connected transactions in relation to the transfer of 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited at the 25th meeting of the ninth session of the Board and the second extraordinary general meeting of 2020 held on 9 March 2020 and 24 April 2020, respectively. The Company will transfer the 49% equity interests in Chengxi Yangzhou held by the Company to CSSC Holdings and CSSC Chengxi by way of agreement, with a total transaction amount of RMB963.8318 million, of which, CSSC Holdings and CSSC Chengxi will acquire 24% and 25% equity interests in Chengxi Yangzhou, with transaction amount of RMB472.0809 million and RMB491.7509 million, respectively. For details, please refer to announcement "Announcement in relation to the transfer 49% equity interests in CSSC Chengxi Yangzhou Shipbuilding Company Limited by COMEC and connected transactions" dated 9 March 2020 published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn).

Pursuant to the above equity transfer agreement, CSSC Holdings and CSSC Chengxi have fully paid the consideration of the equity transfer on 31 December 2020.

VII CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Leases

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Leased assets	Amount of lease assets	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 Co., Ltd.	Huangpu Wenchong	Land, buildings and structures	-	2014.5.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Wenchong Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	-	2018.11.1	The date on which the relocation is completed and production commences at the new plant	-	-	-	Yes	Sister company of the Group

Description of leases

Guangzhou Ship Industrial Company Limited and Huangpu Wenchong 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 part of the land at the Changzhou Plant to Huangpu Wenchong 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 is completed and commences formal production at its new plant.

Guangzhou Wenchong Industrial Co., Ltd. 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 part of the land at the Wenchong Plant to 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 November 2018 and will end on the date on which the relocation of Wenchong Shipyard is completed and commences formal production at its new plant.

SECTION V SIGNIFICANT EVENTS

(ii) Guarantees

Unit: Yuan Currency: RMB

Guarantees provided by the Company for its subsidiaries

Total amount of guarantees provided for its subsidiaries during the Reporting Period	2,431,449,249.46
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period (B)	937,275,504.27

Total amount of guarantees provided by the Company (including those provided for its subsidiaries)

Total amount of guarantees (A+B)	937,275,504.27
Total amount of guarantees as a percentage of the Company's net assets (%)	5.34
Including:	
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio over 70%	299,472,803.99
Description of outstanding guarantees which may incur joint and several liability	Not applicable
Description of guarantees	During the Reporting Period, the Group provided external guarantee with an accumulated amount of RMB2.431 billion, and the content and amount of the Group's external guarantees were within the scope of limit set out in the framework for the guarantees as approved at the general meeting, and there was no overdue guarantee. During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB937 million, most of them were guarantees provided by the Company's subsidiary Huangpu Wenchong to its subsidiary Wenchong Shipyard and Wenchuan Heavy Industrial. The guarantee items are comprehensive credit guarantee and financing project guarantee.

(iii) Cash assets entrusted to be managed by others

1 Entrusted wealth management

(1) Overview of entrusted wealth management

Unit: Yuan Currency: RMB

Type	Source of funding	Amount incurred	Outstanding balance	Amount overdue unrecovered
Entrusted assets	Self-owned funds	1,020,000,000	670,000,000	-

(2) Individual entrusted wealth management

Unit: Yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Date of commencement of entrusted wealth management	Date of expiry of entrusted wealth management	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (If any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted wealth management	Amount of provision made for impairment (If any)
CSSC Finance	Entrusted assets	300,000,000.00	2020/4/10	2020/6/11	Self-owned funds	Mainly utilised in low risk products such as central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bills, medium-term notes, bank financial products, brokerage asset management plan, money funds, bond funds and deposits	Payment of principal and interest (primarily)	2.70%	1,375,890.41	1,375,890.41	300,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	100,000,000.00	2020/4/14	2020/7/14	Self-owned funds			3.00%	747,945.21	747,945.21	100,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	200,000,000.00	2020/4/9	2020/6/10	Self-owned funds			2.70%	917,260.27	917,260.27	200,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	50,000,000.00	2020/5/11	2020/11/11	Self-owned funds			3.00%	756,164.38	756,164.38	50,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	300,000,000.00	2020/5/14	2020/11/17	Self-owned funds			3.00%	4,610,693.00	4,610,693.00	300,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	200,000,000.00	2020/6/11	2020/12/11	Self-owned funds			3.00%	3,008,219.18	3,008,219.18	200,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	70,000,000.00	2020/3/25	2021/3/25	Self-owned funds			3.40%	2,880,000.00	-	-	Yes	Yes	-
CSSC Finance	Entrusted assets	230,000,000.00	2020/7/8	2020/12/11	Self-owned funds			3.05%	2,806,000.00	2,806,000.00	230,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	100,000,000.00	2020/7/20	2020/12/16	Self-owned funds			3.05%	1,245,088.49	1,245,088.49	100,000,000.00	Yes	Yes	-
CSSC Finance	Entrusted assets	330,000,000.00	2020/12/22	2021/12/24	Self-owned funds			3.40%	11,281,473.45	-	-	Yes	Yes	-
CSSC Finance	Entrusted assets	270,000,000.00	2020/12/30	2021/12/10	Self-owned funds			3.40%	8,676,993.30	-	-	Yes	Yes	-

Description:

- In the table above, the "expected return" represents the total returns expected to be obtained during the term of entrusted wealth management, and the "actual gain or loss" represents the gains or losses obtained as agreed under the contract during the elapsed period of entrusted wealth management.
- The Company and its wholly owned subsidiary Huangpu Wenchong have utilised surplus capital in entrusted asset management. During the Reporting Period, the Group's entrusted assets amounted to RMB1,020 million with an outstanding balance of RMB670 million, which mainly represent low risk products such as central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bills, medium-term notes, bank financial products, brokerage asset management plan, money funds, bond funds and deposits, and generates return higher than income from bank deposit for the same period while having their risk under control. Based on past cooperation experiences, CSSC Finance makes prudent investments and has not been unable to make payment at lowest annual rate of return.

SECTION V SIGNIFICANT EVENTS

2 Entrusted loans

(1) Overview of entrusted loans

Unit: Yuan Currency: RMB

Type	Source of funding	Amount incurred	Outstanding balance	Amount overdue unrecovered
Internal working capital loans of the group	Self-owned funds	3,649,542,000.00	895,000,000.00	-

(2) Individual entrusted loans

Unit: Yuan Currency: RMB

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC France	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2017/3/20	2020/3/18	Self-owned funds	Replenishment of working capital of Gaogrzhou Wenchuan-Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.01%	4,562,500.00	4,562,500.00	50,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2017/3/28	2020/3/18	Self-owned funds	Replenishment of working capital of Gaogrzhou Wenchuan-Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.01%	4,529,166.67	4,529,166.67	50,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2018/6/7	2021/6/6	Self-owned funds	Replenishment of working capital of Gaogrzhou Huirongchuan Ocean Engineering Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.275%	3,904,500.00	3,306,000.00	-	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	70,000,000.00	2018/5/27	2020/11/26	Self-owned funds	Replenishment of working capital of Gaogrzhou Huirongchuan Ocean Engineering Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.915%	4,186,675.00	4,186,675.00	70,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2018/1/27	2020/12/26	Self-owned funds	Replenishment of working capital of Gaogrzhou Wenchuan-Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	812,222.22	812,222.22	10,000,000.00	Yes	Yes	-
CSSC France	Consolidation of internal working capital loans of subsidiaries	40,000,000.00	2018/3/11	2020/12/26	Self-owned funds	Replenishment of working capital of Gaogrzhou Wenchuan-Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	2,920,000.00	2,920,000.00	40,000,000.00	Yes	Yes	-

SECTION V SIGNIFICANT EVENTS

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	150,000,000.00	2019/6/23	2022/8/23	Self-owned funds	Replenishment of working capital of Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.00%	13,712,500.00	6,075,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2019/9/5	2022/9/5	Self-owned funds	Replenishment of working capital of Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.50%	3,199,893.33	1,379,583.33	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	100,000,000.00	2020/3/18	2023/3/17	Self-owned funds	Replenishment of working capital of Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.60%	10,950,000.00	2,780,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2020/3/26	2023/3/17	Self-owned funds	Replenishment of working capital of Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.60%	5,455,000.00	1,360,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2020/3/31	2023/3/17	Self-owned funds	Replenishment of working capital of Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.60%	5,410,000.00	1,255,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	100,000,000.00	2020/6/30	2023/6/29	Self-owned funds	Replenishment of working capital of Guangzhou Huiqun Ocean Engineering Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.00%	9,125,000.00	1,450,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	208,542,000.00	2019/3/5	2020/3/4	Self-owned funds	Replenishment of working capital of Huiqun Ocean Engineering Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.50%	7,406,011.64	7,406,011.64	208,542,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	100,000,000.00	2020/7/30	2023/6/29	Self-owned funds	Replenishment of working capital of Guangzhou Huiqun Ocean Engineering Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.00%	8,675,000.00	1,200,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2020/12/25	2023/3/17	Self-owned funds	Replenishment of working capital of Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	3.60%	4,065,000.00	-	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	40,000,000.00	2019/2/9	2020/2/7	Self-owned funds	Replenishment of working capital of CSI	Payment of interest on a quarterly basis and principal upon maturity	4.00%	3,240,000.00	3,240,000.00	40,000,000.00	Yes	No	-

SECTION V SIGNIFICANT EVENTS

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2018/2/9	2020/2/7	Self-owned funds	Replenishment of working capital of Huarong Wenchong	Payment of interest on a quarterly basis and principal upon maturity	4.00%	2,450,000.00	2,430,000.00	30,000,000.00	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	185,000,000.00	2018/1/18	2021/11/7	Self-owned funds	Replenishment of working capital of Huarong Wenchong	Payment of interest on a quarterly basis and principal upon maturity	4.00%	22,528,888.89	15,910,000.00	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	135,000,000.00	2018/1/18	2020/2/28	Self-owned funds	Replenishment of working capital of GSI	Payment of interest on a quarterly basis and principal upon maturity	4.00%	7,170,000.00	7,170,000.00	135,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2019/5/17	2020/2/28	Self-owned funds	Replenishment of working capital of GSI	Payment of interest on a quarterly basis and principal upon maturity	4.00%	1,600,000.00	1,600,000.00	50,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	50,000,000.00	2019/5/17	2021/5/16	Self-owned funds	Replenishment of working capital of Huarong Wenchong	Payment of interest on a quarterly basis and principal upon maturity	4.00%	4,061,111.11	3,244,444.44	-	Yes	Yes	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	55,000,000.00	2018/5/23	2020/2/29	Self-owned funds	Replenishment of working capital of Zongshan GSI Marine Engineering Company Limited	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	55,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	20,000,000.00	2018/8/15	2020/2/29	Self-owned funds	Replenishment of working capital of Zongshan GSI Marine Engineering Company Limited	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	20,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	30,000,000.00	2018/10/17	2020/2/29	Self-owned funds	Replenishment of working capital of Zongshan GSI Marine Engineering Company Limited	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	30,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	10,000,000.00	2018/11/26	2020/2/29	Self-owned funds	Replenishment of working capital of Zongshan GSI Marine Engineering Company Limited	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	10,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	35,000,000.00	2019/2/26	2020/2/29	Self-owned funds	Replenishment of working capital of Zongshan GSI Marine Engineering Company Limited	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	35,000,000.00	Yes	No	-

SECTION V SIGNIFICANT EVENTS

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	86,000,000.00	2019/4/16	2020/2/29	Self-owned funds	Replenishment of working capital of Zhongshan GSI Marine Engineering Company Limited	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	86,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	86,000,000.00	2019/5/27	2020/2/29	Self-owned funds	Replenishment of working capital of Zhongshan GSI Marine Engineering Company Limited	Payment of interest on a quarterly basis and principal upon maturity	0.00%	-	-	86,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2018/12/4	2020/2/29	Self-owned funds	Replenishment of working capital of Gaoqunzhou United Steel Structures Limited	Payment of interest on a quarterly basis and principal upon maturity	4.00%	1,510,000.00	1,510,000.00	30,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2019/5/17	2020/2/26	Self-owned funds	Replenishment of working capital of Gaoqunzhou United Steel Structures Limited	Payment of interest on a quarterly basis and principal upon maturity	4.00%	963,333.33	963,333.33	30,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2019/7/29	2020/2/26	Self-owned funds	Replenishment of working capital of Gaoqunzhou United Steel Structures Limited	Payment of interest on a quarterly basis and principal upon maturity	4.00%	710,000.00	710,000.00	30,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	30,000,000.00	2019/8/26	2020/2/26	Self-owned funds	Replenishment of working capital of Gaoqunzhou United Steel Structures Limited	Payment of interest on a quarterly basis and principal upon maturity	4.00%	616,666.67	616,666.67	30,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	20,000,000.00	2019/9/17	2020/2/26	Self-owned funds	Replenishment of working capital of Gaoqunzhou United Steel Structures Limited	Payment of interest on a quarterly basis and principal upon maturity	4.00%	362,222.22	362,222.22	20,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	22,000,000.00	2019/4/16	2020/2/29	Self-owned funds	Replenishment of working capital of Gaoqunzhou Offshore and Marine Engineering Equipment Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	782,222.22	782,222.22	22,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	49,000,000.00	2019/6/26	2020/2/29	Self-owned funds	Replenishment of working capital of Gaoqunzhou Offshore and Marine Engineering Equipment Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	886,222.22	886,222.22	49,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital bars of subsidiaries	295,000,000.00	2019/2/14	2020/2/29	Self-owned funds	Replenishment of working capital of Gaoqunzhou Wenchong Dockyard Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	12,488,333.33	12,488,333.33	295,000,000.00	Yes	No	-

SECTION V SIGNIFICANT EVENTS

Trustee	Type of entrusted loans	Amount of entrusted loans	Date of commencement of entrusted loans	Date of termination of entrusted loans	Source of funding	Uses	Method of determination of remuneration	Annualised rate of return	Expected return (if any)	Actual gain or loss	Status of recovery	Whether statutory procedures have been performed	Whether there are any future plans for entrusted loans	Amount of provision made for impairment (if any)
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	200,000,000.00	2019/6/26	2020/2/23	Self-owned funds	Replenishment of working capital of Guangzhou Wenchong Dockyard Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	7,533,833.33	7,533,833.33	200,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	126,000,000.00	2019/4/25	2020/2/23	Self-owned funds	Replenishment of working capital of Guangzhou Wenchong Dockyard Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	4,354,000.00	4,354,000.00	126,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	1,150,000,000.00	2019/11/21	2020/2/23	Self-owned funds	Replenishment of working capital of Guangzhou Wenchong Dockyard Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	12,905,555.56	12,905,555.56	1,150,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	200,000,000.00	2019/12/26	2020/2/23	Self-owned funds	Replenishment of working capital of Guangzhou Wenchong Dockyard Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	1,466,666.67	1,466,666.67	200,000,000.00	Yes	No	-
CSSC Finance	Consolidation of internal working capital loans of subsidiaries	25,000,000.00	2019/6/26	2020/2/23	Self-owned funds	Replenishment of working capital of Wenzhou Environment Co., Ltd.	Payment of interest on a quarterly basis and principal upon maturity	4.00%	522,222.22	522,222.22	25,000,000.00	Yes	No	-

Description:

1. In the table above, the "expected return" represents the total returns expected to be obtained during the term of loan, and the "actual gain or loss" represents the gains or losses obtained as agreed under the contract during the elapsed period of loan.
2. In order to support the operation and development of subsidiaries and supplement working capital for production and operation, the Group provided entrusted loans to relevant subsidiaries with the CSSC Finance as the entrusted financial institution. During the Reporting Period, the Group's entrusted loans amounted to RMB3,650 million with an outstanding balance was RMB895 million, which was the entrusted loans within the consolidation scope and the gain or loss from which have been internally offset, and therefore, the "expected income" and "actual income or loss" at the consolidation level of the Group were both nil.
3. During the Reporting Period, upon the completion of disposal of 27.4214% of the equity interest in GSI, the Company will only hold 46.3018% of the equity interest in GSI and due to loss of its control over GSI, GSI will no longer be included in the consolidation scope of the Company since 1 March 2020. The entrusted loan provided by the Company to GSI was fully settled on 28 February 2020. The entrusted loan provided by GSI to its subsidiaries was counted until the end of February 2020.

VIII PERFORMANCE OF SOCIAL RESPONSIBILITIES

(i) Poverty alleviation measures of the Company

1. Targeted poverty alleviation plan

During the Reporting Period, in accordance with the arrangements of the central government for targeted poverty alleviation and under the leadership of the management, the provincial government of Guangdong Province and governments at various levels, the Group actively carried out targeted poverty alleviation to improve the selfdevelopment ability of receipts of aid and get out of poverty as soon as practicable.

2. Annual summary of targeted poverty alleviation

In 2020, the Group conscientiously implemented the targeted poverty alleviation requirements of the Party Central, the Party Organization of CSSC and the provincial and city governments to fulfill its social responsibility as a stateowned enterprise, and pushed forward its efforts on "Targeted Poverty Alleviation and Getting Rid of Poverty".

- (1) Further do a solid job in targeted poverty alleviation in He'an Village, Xuwen County. Arranged 2 poverty alleviation officers to carry out full-time work in the village and donated RMB180,000 to the village; organized the Company's counterpart poverty alleviation cadres to visit 35 households in He'an Village and distributed consolation funds RMB300 per household, with a total of RMB10,500; organized the purchase of 323 reed chickens in He'an Village for RMB51,680 to solve the problem of stagnant sales of local agricultural and sideline products.
- (2) In accordance with the requirements of the spirit of the "Notice on the Purchase of Agricultural Products from Targeted Poverty Alleviation Counties" (《關於開展消費扶貧購買定點扶貧縣農產品的通知》) of China State Shipbuilding Corporation Limited, the Group purchased agricultural products for poverty alleviation at a standard of approximately RMB400 per employee, and purchased the Group's agricultural products for poverty alleviation in Hejing and Qubei counties in the amount of approximately RMB1,549,487, and purchased agricultural products for poverty alleviation in Hubei in the amount of approximately RMB626,400.

SECTION V SIGNIFICANT EVENTS

3 Results of targeted poverty alleviation

Unit: Ten thousand Currency: RMB

Indicator	Number and relevant information
I. General information	
Including: 1. Fund	19.05
2. Materials	222.75
3. Number of records established for poor people (person)	140
II. Investment by project	
1. Poverty alleviation through industrial development	
Including: 1.1 Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Agriculture and forestry industry poverty alleviation <input type="checkbox"/> Tourism poverty alleviation <input checked="" type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Assets income poverty alleviation <input type="checkbox"/> Technology poverty alleviation <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	5
1.3 Amount of investment in industrial poverty alleviation projects	222.75
1.4 Number of records established for poor people who have got out of poverty (person)	
2. Job transfer poverty alleviation	140
Including: 2.1 Amount of investment in vocational skills training	
2.2 Number of persons receiving vocational skills training (person/times)	0
2.3 Number of records established for poor people to achieve employment (persons)	
3. Poverty alleviation through education	
Including: 3.1 Number of relocated households helped to become employed (person)	0
4. Poverty alleviation through education	
Including: 4.1 Amount of investment in helping the poor students	0
4.2 Number of the poor students funded (person)	0
4.3 Amount of investment in improving the educational resources in poor areas	0
5. Health poverty alleviation	
Including: 5.1 Amount of investment in medical and health resources in poor areas	0
6. Ecological protection to alleviate poverty	
Including: 6.2 Amount of investment	0
7. Minimum protection	
Including: 7.1 Amount of investment in helping the "Three Left Behind" people	0
7.2 Number of "Three Left Behind" people helped (person)	0
7.3 Amount of investment in helping poor people with disabilities	0
7.4 Number of poor people with disabilities receiving assistance (person)	0
8. Social poverty alleviation	
Including: 8.1 Amount of investment in East-West poverty alleviation collaboration	0
8.2 Amount of investment in targeted poverty alleviation work	0
8.3 Poverty Alleviation Charity Fund	0
9. Other projects	
Including: 9.1 Number of projects	0
9.2 Amount of investment	0
9.3 Number of records established for poor people who have got out of poverty (person)	0
9.4 Descriptions of other projects	None

SECTION V SIGNIFICANT EVENTS

4 Subsequent targeted poverty alleviation plan

The Group will support and help with the industrial development, education, infrastructure development, labour training and pairing with receipts of aids in accordance with the deployments and arrangements of higher authorities.

(ii) Social responsibility work

For details about the performance of the social responsibilities of the Company and the requirements of the Hong Kong Stock Exchange for the environmental, social and governance reporting guidelines, please refer to the "Corporate Governance Report for the Year 2020", which was published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk), the Shanghai Stock Exchange (www.sse.com.cn) and the Company (comec.cssc.net.com) on 30 March 2021.

(iii) Environmental information

1 Description of the environment protection of the Company and its major subsidiaries falling under key waste water emission entities announced by the environment protection authorities of the PRC

According to the Circular on the List of the Key Pollution Discharge Entities in Guangzhou for 2020 issued by Guangzhou Environmental Protection Bureau in April 2020, three members of the Group, namely Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering were included as key pollution discharge entities in Guangzhou for 2020.

(1) Information on pollution discharge

Name of major and specific pollutants	Emission method	Number and distribution of emission outlets	Emission concentration and total emission	Excess emission	Pollutant emission standards in effect	Approved total emission
1. Toluene	Organized	Huangpu Wenchong (4)	Average emission concentration 1.622 mg/m ³ , total emission 389.012KG	None	Emission Limits of Air Pollutants (DB44/27-2001) period II Standard Level 2	0.60 tons
		Wenchong Shipyard (6)	Average emission concentration 0.02mg/m ³ , total emission 191.29KG	None		
		Huangchuan Ocean Engineering (4)	0.17 mg/m ³	None		
		Huangpu Wenchong (4)	Average emission concentration 1.388mg/m ³ , total emission 332.934KG	None		
2. Xylene	Organized	Wenchong Shipyard (6)	Average emission concentration 0.23mg/m ³ Total 2,310.159KG	None	Emission Limits of Air Pollutants (DB44/27-2001) period II Standard Level 2	5.572 tons
		Huangchuan Ocean Engineering	1.25 mg/m ³	None		
		Huangpu Wenchong (4)	Average emission concentration 30.9mg/m ³ , total emission 7,411.7KG	None		
		Wenchong Shipyard (6)	Average emission concentration 0.32mg/m ³ , total emission 4,330.49KG	None		
3. VOCs	Organized	Huangchuan Ocean Engineering	2.32 mg/m ³	None	-	24.236 tons

SECTION V SIGNIFICANT EVENTS

Name of major and specific pollutants	Emission method	Number and distribution of emission outlets	Emission concentration and total emission	Excess emission	Pollutant emission standards in effect	Approved total emission
4. Particulate matter	Organized emissions (intermittent)	Huangpu Wenchong (4)	Average emission concentration 5.61 mg/m ³ , total emission 804.64 KG	None	Emission Limits of Air Pollutants in Guangdong Province period II Standard Level 2 for Class II Area	-
		Wenchong Shipyard (12)	Average emission concentration 0.08 mg/m ³ , total emission 2,020.22 KG	None		
		Huangchuan Ocean Engineering (13) Huangpu Wenchong (1)	38.6 mg/m ³	None		
5. COD	Organized emissions (intermittent)	Huangchuan Ocean Engineering (1)	14 mg/l	None	Emission Limits of Water Pollutants in Guangdong Province period II Standard Level 3 for Class II Area	-
		Wenchong Shipyard (1)	102.25 mg/L	None	Emission Limits of Water Pollutants in Guangdong Province (DB44/26-2001) period II Standard Level 3	
		Huangpu Wenchong (1)	5.62 mg/l total emission 851.57 KG	None	Emission Limits of Water Pollutants in Guangdong Province period II Standard Level 3 for Class II Area	
6. Ammonia nitrogen	Organized emissions (intermittent)	Huangchuan Ocean Engineering (1)	0.76 mg/l	None	Emission Limits of Water Pollutants in Guangdong Province period II Standard Level 1 for Class II Area	-
		Wenchong Shipyard (1)	16.325 mg/L	None	Emission Limits of Water Pollutants in Guangdong Province (DB44/26-2001) period II Standard Level 3	

SECTION V SIGNIFICANT EVENTS

(1) Construction and operation of pollution prevention facilities

① Huangpu Wenchong

In 2020, Huangpu Wenchong completed the construction of a new general industrial solid waste dump and the reconstruction of the hazardous waste dump, and put them into use to be able to standardize the collection and storage of solid waste and prevent solid waste from polluting the environment. Two new painting workshops are built and 2 sets of organic waste gas purification and treatment devices are installed. The process of zeolite rotor plus catalytic combustion is used to reduce the emission of volatile organic compounds by closing the operation and opening the equipment when painting in sections. The paint mixing room is retrofitted with organic waste gas purification and treatment devices, using the process of zeolite rotor plus catalytic combustion to collect and purify volatile organic compounds. No environmental pollution accident occurred in 2020.

② Wenchong Shipyard

Existing facilities of Wenchong Shipyard against environmental pollution: 9 sets of organic waste gas purification device (1 in the pretreatment workshop, and 2 in each of the painting and assembly workshop A, D, E, and F), 7 sets of dust removal device (1 in the pretreatment workshop, and 3 in each of workshop B and C), 6 sets of welding dust purification device (all installed in the pipe processing workshop). All units using these anti-pollution devices have kept regular maintenance of the devices with detailed operation record. 1 set of online VOC monitoring equipment (provided by the Environmental Protection Bureau of Huangpu District) was installed in painting workshop A and connected to the automatic pollutant monitoring system in Guangzhou City to perform real-time monitoring of VOC emission. In 2020, the acceptance of the waste oil water treatment device was completed and it has put into trial operation. For production noise, it mainly reduces the impacts of production noise through building enclosure, establishing sound insulation covers and installing mufflers. No noise complaints was received in 2020.

③ Huangchuan Ocean Engineering

Huangchuan Ocean Engineering has established a sewage treatment station, using the SBR method to treat production waste water and domestic sewage, and installed an online monitoring equipment at the discharge port, and connected to the Guangzhou automatic pollution source monitoring system; installed cyclone + filter cartridge dust collectors at the steel pretreatment line and sandblasting room, and 12 sets of activated carbon adsorption + catalytic combustion purification treatment devices for organic waste gas. All these facilities operate normally. For production noise, it mainly reduces the impacts of production noise through equipment selection, building enclosure, establishing sound insulation covers, installing damping pads and mufflers. No environmental pollution incidents or complaints was received in 2020.

(2) Environmental impact assessment for construction projects and other administrative permission for environmental protection

① Huangpu Wenchong

Strictly implement the "Three simultaneousness" system for environmental protection of construction projects. When Huangpu Wenchong constructs projects that pollute the environment, it carries out environmental impact assessment in accordance with the "Environmental Impact Assessment Law of the People's Republic of China" during the project design stage, and takes measures to prevent environmental pollution from the source. Environmental protection facilities are designed, constructed, accepted and put into use at the same time as the main project. With the Pollution Discharge Permit and the Drainage Permit, Huangpu Wenchong could achieve stable discharge of pollutants and control the total discharge in the daily production and operation.

② Wenchong Shipyard

Wenchong Shipyard has no new projects in 2020. It has obtained the Drainage Permit. The National Pollution Discharge Permit has been suspended due to the failure of the online monitoring of VOCs to meet the relevant technical specifications and is currently under rectification. It could achieve stable discharge of pollutants and control the total discharge in the daily production and operation.

③ Huangchuan Ocean Engineering

Huangchuan Ocean Engineering has obtained the National Pollution Discharge Permit and Drainage Permit and operated effectively. It could achieve stable discharge of pollutants and control the total discharge in the daily production and operation.

SECTION V SIGNIFICANT EVENTS

(3) *Emergency plans for sudden environmental events*

① Huangpu Wenchong

The company has established the "Emergency plans for sudden environmental events of CSSC Huangpu Wenchong Shipbuilding Company Limited" and filed it in the District Ecological Environment Bureau, which contains one comprehensive emergency plan, two special environmental emergency plans and nine on-site disposal plans, applicable to the emergency rescue of environmental emergencies caused by man-made or force majeure. Such as the emergency response to prevent secondary environmental pollution disaster after secondary environmental pollution incidents caused by waste gas treatment facilities, hazardous chemical spills, fires and explosions. Special environmental emergency plans are: special environmental emergency plan for shipboard waste liquid leakage, special environmental emergency plan for chemical fire and explosion. On-site disposal plan contains: on-site disposal plan for waste gas treatment equipment failure, on-site disposal plan for waste water treatment equipment failure, on-site disposal plan for solid waste pollution, on-site disposal plan for noise pollution, on-site disposal plan for radiation pollution, on-site disposal plan for carbon dioxide leakage, on-site disposal plan for Natural gas leakage site disposal plan and on-site disposal plan for paint leakage of paint storage. At the beginning of the year, a drill plan is formulated and emergency drills are carried out on time to improve the emergency disposal capability.

② Wenchong Shipyard

Wenchong Shipyard has established the Emergency Plan for Sudden Environmental Events, the Risk Assessment Report for Sudden Environmental Events and the Emergency Resources Investigation Report based on the actual situation in the plant area, and successfully completed the filing with the Huangpu District Environmental Protection Bureau. At the beginning of 2020, Wenchong Shipyard formulated and released an annual safety environment emergency and drill plan, which was completed by all departments based on the time nodes.

③ Huangchuan Ocean Engineering

The emergency plan for environmental incidents established by Huangchuan Ocean Engineering combined with the actual plant area passed experts review was filed with Nansha Environmental Protection Bureau in 2020, and has received the record receipt.

(4) *Environmental self-monitoring solutions*

According to the State Environmental Protection Standard HJ819-2017 "General Rules for Self-monitoring Technical Guide for Emission Units", the Company develops environmental monitoring programs, has appointed professional companies to carry out monitoring work, monitors waste gas, waste water and noise emissions in each plant area every quarter, grasps the operation of environmental protection equipment and facilities, and does maintenance management to ensure that pollutant emissions meet the standards.

(5) *Other environmental information that should be disclosed*

The Group discloses corporate environmental information on the government public platform every year, and conducts corporate environmental credit evaluation against the standards. In 2020, Huangpu Wenchong and Wenchong Shipyard are both blue-credentialed environmental credit enterprises and Huangchuan Ocean Engineering is a green-credentialed environmental credit enterprise.

IX OTHERS

1. Reserves

Details of movement of reserves of the Company during the year are set out in notes to financial statements, of which details of the reserve distributable to equity shareholders are set out in notes to financial statements.

2. Property, plant and equipment

For details of the Group's property, plant and equipment during the year, please refer to notes to financial statements.

3. Bank loans and other loans

Details of the Company's bank loans and other loans as at 31 December 2020 are set out in notes to financial statements.

4. Purchase, sale or redemption of listed securities of the Company

During the Reporting Period, none of the Company or its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

5. Gearing ratio

As at 31 December 2020, the Company's gearing ratio was 54.92%.

The calculation formula of the gearing ratio: $\text{total liabilities} \div \text{total assets} \times 100\%$

6. Pre-emptive right

Under the Articles of Association and PRC laws, there are no requirements under which the Company is required to issue new shares to its existing shareholders in proportion to their shareholding.

7. Service contracts with Directors and Supervisors

Each Director and Supervisor has entered into a service contract with the Company. No Director or Supervisor has entered into any service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

8. Remuneration of Directors and Supervisors

Details of the remuneration of Directors and Supervisors are set out in notes to financial statements.

9. Directors' and Supervisors' interest in contracts

During the financial year ended 31 December 2020, none of the Company or any of its subsidiaries has entered into any contract which has significant effect on the Company's business, in which Directors or Supervisors have direct or indirect significant interest and which is still in effect during the financial year ended 31 December 2020.

10. Directors' interest in competing business

No Directors have any interest in any competing business.

11. Management contracts

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2020.

12. Major customers and suppliers

During the year ended 31 December 2020, the purchase made by the Group from its top five suppliers (as defined in the Listing Rules) in total did not exceed 23.34% of the Group's total purchase of goods and services for the year.

During the year ended 31 December 2020, the sales made by the Group to its top five customers in total accounted for 57.21% of the Group's total sales for the year, of which the Group's sales to its largest customer accounted for 38.15% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors, their close associates or any shareholder who holds 5% or more of the issued share capital of the Company has any interest in the top five suppliers of customers of the Company for the year.

SECTION V SIGNIFICANT EVENTS

13. Permitted indemnity for directors

In accordance with the Articles of Association and subject to the relevant provisions therein, each director and supervisor shall be indemnified and kept indemnified against all litigation, fees, charges, losses, compensation and expenses incurred in performing its duties as a director or supervisor of the Company or other matters related to it by the Company with its assets and profits. The Company has arranged appropriate insurance protection for any legal actions incurred by directors, supervisors and senior management in the course of performing their duties in good faith.

14. Environmental, Social and Governance Report

The Company has prepared the Environmental, Social and Governance (“Environmental, Social and Governance”) Report, which contains our environmental, social and governance data for 2020, and has complied with the environmental, social and governance guidelines of the Listing Rules. The 2020 Environmental, Social and Governance Report has been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.sse.com) on 29 April 2021.

15. Remuneration policies

As of 31 December 2020, the total number of employees of the Group was 7,618. The remuneration of employees has been determined based on the complexity and responsibility of their positions and their work performance. The remuneration of Directors, supervisors and senior management of the Company is determined in accordance with the Proposal for Remuneration for the Tenth Session of Directors, Supervisors and Senior Management.

16. Retirement and employee benefit plans

Details of the retirement and employee benefit plans of the Company are set out in notes to financial statements.

17. Audit Committee

The Audit Committee of the Company has reviewed the Group’s annual results for 2020 and the financial statements for the year ended 31 December 2020 prepared under the Accounting Standards for Business Enterprises in the PRC.

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I CHANGES IN ORDINARY SHARES

(i) Table of changes in ordinary shares

There was no change in the total number of ordinary shares and structure of share capital of the Company during the Reporting Period.

II SHAREHOLDERS AND ACTUAL CONTROLLERS

(i) Total number of shareholders

Total number of ordinary shareholders at the end of the Reporting Period 112,635
 Total number of ordinary shareholders as at the end of the month preceding the date of publication of annual report 118,093

(ii) Shareholding of top ten shareholders, top ten shareholders of circulating shares (or holders of shares not subject to selling restriction) at end of the Reporting Period

Unit: Share

Shareholding of top ten shareholders							
Name of shareholder (full name)	Change during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restriction	Pledged or frozen Share status	Number	Shareholder Nature
HKSCC Nominees Limited	299,613	589,229,088	41.69	0	None	0	Overseas legal person
China State Shipbuilding Corporation Limited	-16,057,400	485,687,700	34.36	0	None	0	State-owned legal-person
China Securities Finance Corporation Limited	-19,620,446	8,568,957	0.61	0	None	0	State-owned legal-person
Hong Kong Exchanges and Clearing Limited	6,068,265	8,372,141	0.59	0	None	0	Overseas legal person
Tu Wenbin	5,419,000	5,419,000	0.38	0	None	0	Domestic natural person
Yangzhou Kejin Shipyard Co., Ltd.	-1,900,914	4,599,086	0.33	0	Pledged	4,300,000	Domestic non-state-owned legal person
China Construction Bank Corporation-Guotai China Securities Military Index Trading Open Index Securities Investment Fund	1,655,569	3,885,316	0.27	0	None	0	Others
China Construction Bank Corporation - Fullgoal China Securities Military Index Grading Securities Investment Fund	-3,508,800	3,163,158	0.22	0	None	0	Others
Xi'an Investment Holding Co., Ltd.	-2,290,000	3,001,159	0.21	0	None	0	Domestic non-state-owned legal person
China Merchants Bank Co., Ltd.- Boshi Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund	113,878	1,913,778	0.14	0	None	0	Others

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Top ten shareholders of shares not subject to selling restrictions

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	589,229,088	Overseas listed foreign shares	589,229,088
China State Shipbuilding Corporation Limited	485,687,700	Ordinary shares denominated in RMB	485,687,700
China Securities Finance Corporation Limited	8,568,957	Ordinary shares denominated in RMB	8,568,957
Hong Kong Exchanges and Clearing Limited	8,372,141	Ordinary shares denominated in RMB	8,372,141
Tu Wenbin	5,419,000	Ordinary shares denominated in RMB	5,419,000
Yangzhou Kejin Shipyard Co., Ltd.	4,599,086	Ordinary shares denominated in RMB	4,599,086
China Construction Bank Corporation-Guotai China Securities Military Index Trading Open Index Securities Investment Fund	3,885,316	Ordinary shares denominated in RMB	3,885,316
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	3,163,158	Ordinary shares denominated in RMB	3,163,158
Xi'an Investment Holding Co., Ltd.	3,001,159	Ordinary shares denominated in RMB	3,001,159
China Merchants Bank Co., Ltd.- Boshi Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund	1,913,778	Ordinary shares denominated in RMB	1,913,778
Explanation on the relationship or acting in concert among the aforesaid shareholders	–		
Explanation on shareholders of preference shares with restoration of voting rights and their shareholding	–		

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

III CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS

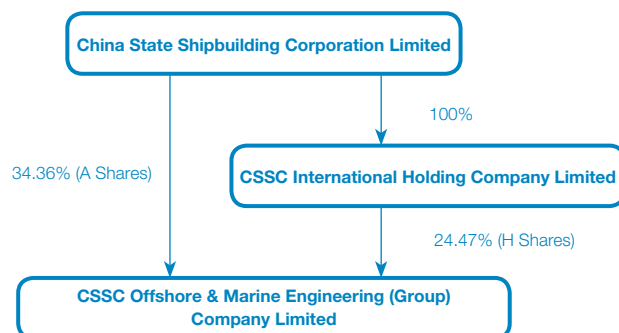
(i) Controlling shareholders

1 Legal persons

Name	China State Shipbuilding Corporation Limited
The person in charge of the unit or legal representative	Lei Fanpei
Date of establishment	29 June 1999
Principal businesses	State-owned assets investment and management, industrial investment, investment management within the scope of authorisation of the State Council; research and development, design, production, sale and maintenance services; research and development, design, manufacture, repair, lease, management of ships, offshore engineering and marine transportation, marine development, marine protection equipment; research and development, design, manufacture, repair, lease, management of large engineering equipment, power equipment, mechanical and electrical equipment, information and control products; import and export of goods and technology, domestic trading; completed equipment warehousing logistics, exploration, development and investment management of complete equipment, ship leasing business, liner investment and management; survey and design, project contracting, project construction, construction and installation, project supervision business. Development, transfer and consulting of military technology, civil technology and technology for both military and civil uses, technical services, investment in and management of technical training business.
Shareholdings in other domestic and overseas listed companies of which it has holding rights and jointstocks during the Reporting Period	As of 31 December 2020, the Company directly and indirectly held a total of 50.42% equity interest in China CSSC Holdings Limited, and directly and indirectly held a total of 41.28% equity interest in CSSC Science & Technology Co., Ltd., and indirectly held a total of 75% equity interest in its CSSC (Hong Kong) Shipping Company Limited
Notes on other matters	CSSC and CSSC International entered into the Parties Acting in Concert Agreement on 28 September 2018, in which it was agreed that CSSC International shall authorise CSSC to exercise its shareholder's rights so far as CSSC remains the controlling shareholder or actual controller of CSSC International (For details, please refer to the Announcement in relation to the Entering into the Parties Acting in Concert Agreement by Substantial Shareholders of the Company published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Company on 28 September 2018).

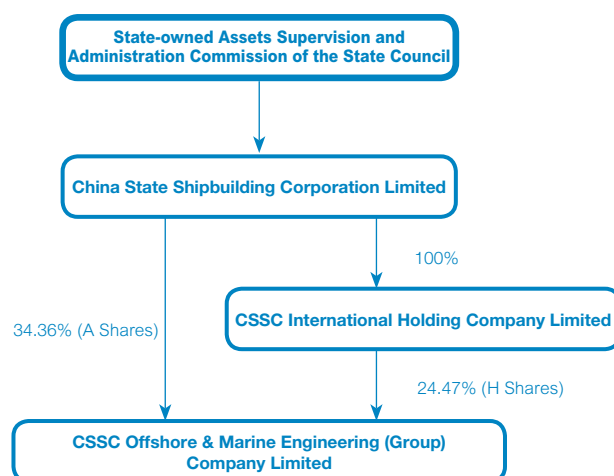
SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

2 Ownership and controlling relationship between the Company and controlling shareholders



(ii) Information on actual controllers

Ownership and controlling relationship between the Company and actual controllers



IV OTHER LEGAL PERSON SHAREHOLDERS WITH 10% OR MORE SHAREHOLDING

Unit: Hong Kong dollars in ten thousand

Name of legal person shareholder	The person in charge of the unit or legal representative	Date of establishment	Code of organisation	Registered capital	Principal business or management activities
CSSC International Holding Company Limited	Li Chaokun	24 August 2018	None	100	Engaged in overseas financing business; providing centralized overseas fund management services for members of CSSC; engaged in business cooperation; other business authorized by CSSC; and other business permitted by the law.
Description	CSSC and CSSC International entered into the Parties Acting in Concert Agreement on 28 September 2018, in which it was agreed that CSSC International shall authorise CSSC to exercise its shareholder's rights so far as CSSC remains the controlling shareholder or actual controller of CSSC International (For details, please refer to the Announcement in relation to the Entering into the Parties Acting in Concert Agreement by Substantial Shareholders of the Company published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Company on 28 September 2018).				

SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

V INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, the following persons (other than Directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "SFO") or are required to be entered in the register to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of long positions held (share)	Capacity	Approximate shareholding percentage of issued H Shares (%)	Approximate shareholding percentage of issued A Shares (%)	Percentage of total issued share capital (%)
China State Shipbuilding Corporation Limited	A Shares	485,687,700(L)	Beneficial owner	–	59.13	34.36
CSSC International Holding Company Limited	H Shares	345,940,890 (L)	Beneficial owner	58.43	–	24.47

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 31 December 2020.

VI DIRECTORS' AND SUPERVISORS' INTEREST

As at 31 December 2020, none of the Directors, Supervisors and chief executive of the Company has any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be recorded in the register required to be kept under Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers.

VII OTHER INFORMATION

(i) Warrants and others

During the year, neither the Company nor its subsidiaries have issued any warrants, convertible securities, options or other securities with similar rights, nor had any person exercised any right stated above.

(ii) Public float of H shares

Based on the information that is publicly available to the Company as at the latest practicable date for publication of this annual report and within the knowledge of the Directors, there was a sufficient public float of the Company's shares as required under the Listing Rules.

(iii) Connected Transactions

Details of connected transactions entered into by the Company as at 31 December 2020 are set out in note 12 to the consolidated financial statements. Except for the transactions described in section 14 "Material Connected Transactions" of the Report of the Board (these transactions have complied with the disclosure requirements of Chapter 14A of the Listing Rules of the Stock Exchange).

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

I CHANGE IN SHAREHOLDING AND REMUNERATION

(1) Change in shareholding and remuneration of current and resigned Directors, Supervisors and Senior Management Officers during the Reporting Period

Unit: share

Name	Position (note)	Gender	Age	Date of appointment	Date of termination of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held in the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousand)	Whether receiving compensation from related parties of the Company or not
Han Guangde	Chairman	Male	59	2004-6-25	2023-5-31	0	0	0	-	0	Yes
Chen Zhongqian	Vice chairman	Male	58	2013-11-25	2023-5-31	0	0	0	-	10.94	Yes
Chen Liping	Executive Director	Male	54	2016-8-10	2023-5-31	0	0	0	-	81.23	No
Xiang Huiming	Executive Director	Male	55	2015-5-8	2023-5-31	0	0	0	-	104.84	No
Chen Ji	Non-executive Director	Male	54	2016-8-10	2023-5-31	0	0	0	-	10.94	Yes
Gu Yuan	Non-executive Director	Male	52	2020-10-23	2023-5-31	0	0	0	-	0	Yes
Yu Shiyong	Independent non-executive Director	Male	65	2018-2-12	2023-5-31	0	0	0	-	20	No
Lin Bin	Independent non-executive Director	Male	59	2020-10-23	2023-5-31	0	0	0	-	3.75	No
Nie Wei	Independent non-executive Director	Male	51	2020-10-23	2023-5-31	0	0	0	-	3.75	No
Li Zhijian	Independent non-executive Director	Male	51	2020-10-23	2023-5-31	0	0	0	-	3.75	No
Chen Shuofan	Chairman of the Supervisory Committee	Male	49	2020-10-23	2023-5-31	0	0	0	-	0	Yes
Chen Shu	External supervisor	Female	67	2019-5-28	2023-5-31	0	0	0	-	9.56	No
Zhu Weibin	External supervisor	Male	60	2020-10-23	2023-5-31	0	0	0	-	2.25	No
Zhang Qingzhen	Employee supervisor	Male	54	2020-10-23	2023-5-31	0	0	0	-	0	Yes
Li Kai	Employee supervisor	Male	41	2020-10-23	2023-5-31	0	0	0	-	10.55	No
Li Zhidong	Secretary to the Board	Male	55	2016-10-14	2023-5-31	0	0	0	-	74.30	No
Hou Zengquan	Chief financial officer	Male	51	2017-11-10	2023-5-31	0	0	0	-	74.38	No
Sheng Jigang	Executive Director	Male	53	2018-12-5	2020-12-8	0	0	0	-	108.27	Yes
Shi Jun	Non-executive Director	Male	46	2018-2-12	2020-10-23	0	0	0	-	0	Yes
Wang Yichu	Independent non-executive Director	Male	62	2015-11-5	2020-10-23	0	0	0	-	16.25	No
Min Weiguo	Independent non-executive Director	Male	56	2015-11-5	2020-10-23	0	0	0	-	16.25	No
Liu Renhuai	Independent non-executive Director	Male	80	2018-2-12	2020-10-23	0	0	0	-	16.25	No
Jin Xuejian	Chairman of the Supervisory Committee	Male	55	2019-10-23	2020-10-23	0	0	0	-	0	Yes
Fu Xiaosi	External supervisor	Male	62	2008-5-13	2020-10-23	0	0	0	-	7.31	No
Mai Rongzhi	Employee supervisor	Male	58	2018-2-12	2020-10-23	0	0	0	-	9.07	Yes
Zhang Shan	Employee supervisor	Male	50	2018-2-12	2020-10-23	0	0	0	-	43.80	No
Total	/	/	/	/	/	0	0	0	/	627.44	/

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

Name	Main work experiences
Han Guangde	Male, born in May 1962, senior engineer (researcher level). He graduated from Huazhong University of Science and Technology (華中工學院) in 1983 and joined Guangzhou Shipyard in the same year, and obtained a master of engineering in industrial engineering in 2002. He successively served as deputy head of the production management department under the shipbuilding division, deputy manager and manager of the shipbuilding division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy general manager, general manager, chairman of the board of directors and party secretary of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); chairman of the board of directors of CSSC Guangzhou Longxue Shipbuilding Co., Ltd. (廣州中船龍穴造船有限公司); chairman of the board of directors and party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司); and chairman of the board of directors of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司). He is currently chairman of the board of directors and party secretary of Guangzhou Ship Industrial Co., Ltd. (廣州船舶工業有限公司), chairman of the board of directors of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司), chairman of the board of directors of Guangzhou Ruiling Industrial Development Co., Ltd. (廣州瑞凌實業發展有限公司) and Chairman of the Board.
Chen Zhongqian	Male, born in September 1963, senior engineer (researcher level). He graduated from Wuhan University of Water Transportation Engineering College (湖北武漢水運工程學院) in 1983 and joined Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司) in the same year. In 2002, Mr. Chen obtained a master's degree in business administration. He successively served as deputy head and head of the outfitting department, assistant to general manager and deputy general manager of Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司); general manager, party secretary, vice chairman and chairman of the board of directors of Guangzhou Huangpu Shipyard Co., Ltd. (廣州黃埔造船有限公司); and chairman of the board of directors and party secretary of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司). He is currently chairman of the board of directors and party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司), director of China State Shipbuilding Corporation and vice Chairman of the Board.
Chen Liping	Male, born in November 1967, senior accountant and senior economist. He graduated from Harbin Institute of Technology (哈爾濱工業大學), majoring in precision instrument, with a bachelor's degree in engineering in July 1989, and graduated from South China University of Technology (華南理工大學), majoring in business administration, with a master's degree in 2002. He successively served as deputy manager of the finance department, deputy chief accountant and chief accountant of Guangzhou Wenchong Shipyard Co. Ltd. (廣州文沖船廠有限責任公司); chief accountant, secretary to the board of directors, and executive director of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy director of the audit department of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司); and chief accountant of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently an executive Director and general manager of the Company.
Xiang Huiming	Male, born in March 1966, senior engineer (researcher level). He graduated from Huazhong University of Science and Technology (華中理工大學) in 1988 and joined Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司) in the same year, and obtained a master's degree in business administration in 2004. He successively served as engineering head of the production section, deputy director of general office and deputy head of the enterprise management department, manager of the enterprise management department, assistant to general manager, deputy general manager, party secretary, general manager and chairman of Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司). He is currently general manager and deputy party secretary of CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司); and an executive Director of the Company.
Chen Ji	Male, born in September 1967, senior engineer. He graduated from Shanghai Jiaotong University (上海交通大學), majoring in ship engineering, with a bachelor's degree in engineering in 1989, and graduated from South China University of Technology (華南理工大學), majoring in business administration, with a master's degree in 2001. He successively served as assistant to manager of the ship maintenance division and deputy manager of the heavy mechanical engineering division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); director, deputy general manager, deputy party secretary, secretary to the discipline inspection commission and chairman of the labor union of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); secretary to the discipline inspection commission of Guangzhou Shipyard International Company Limited (廣船國際有限公司) and party secretary of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司). He is currently general manager and deputy party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司); chairman of Guangzhou Wenchong Ship Building and Repair Co., Ltd (廣州文沖船舶修造有限公司) and an executive Director of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

Name	Main work experiences
Gu Yuan	Male, born in October 1969, a senior economist. He graduated from the Beijing Institution of Economics and started working at the China Academy of Launch Vehicle Technology in 1992. He obtained a master's degree in Business Administration from Beijing Institution of Technology in 2001. He successively served as the deputy head and head of the General Office, Finance Office, Economic Management Office of Research Institute Civil Products Corporation* (研究院民品總公司), assistant to the president of China Engin International (Holdings) Limited (中國航天萬源國際(集團)有限公司) and general manager of Beijing Wanyuan Industrial Company (北京萬源工業有限公司), deputy head of the Department of Operation and Investment of the Institute, executive vice president, chief party secretary of China Changzheng Rocket Co., Ltd. (中國長征火箭有限公司), and deputy director of the Department of Operation and Management of China State Shipbuilding Corporation Limited. He is currently the deputy director of the Department of Assets of China State Shipbuilding Corporation Limited.
Yu Shiyou	Male, born in March 1956, professor. He graduated from Huazhong University of Science and Technology (華中理工大學) in 1987 with a master's degree, majoring in western economics. He successively served as deputy secretary of the Communist Youth League of Wuhan Camera Shutter Plant (武漢照相機快門廠); associate professor and deputy dean of the economics school of Huazhong University of Science and Technology (華中理工大學); professor, director of international finance and trading department, director of international business department, and deputy dean of Lingnan College, Sun Yat-Sen University (中山大學嶺南學院); director of finance and state-owned assets administration department, assistant to president, standing member of party committee, vice president, deputy party secretary and secretary of commission for discipline inspection of Sun Yat-Sen University. He is currently dean of Lingnan College, Sun Yat-Sen University (中山大學嶺南學院); and an independent non-executive Director of the Company.
Lin Bin	Male, born in September 1962, an accounting professor and senior certificated accountant in Australia. He graduated from Jiangxi University of Finance and Economics in 1984, with a bachelor's degree in accounting, and from Xiamen University in 1997, with a PhD in accounting. He successively served as a teacher in the Department of Economics and Management of East China Jiaotong University, head of the Department of Accounting in the School of Business, Sun Yat-sen University and head of the MPAcc Centre. He is currently a professor in the School of Business, Sun Yat-sen University, an independent director of Southern Publishing and Media Company Limited (南方出版傳媒股份有限公司), Guangzhou Shiyuan Electronic Co., Ltd. (廣州視源電子科技股份有限公司) and Guangzhou Metro Design and Research Institute Co., Ltd. (廣州地鐵設計研究院股份有限公司), and an independent non-executive Director of the Company.
Nie Wei	Male, born in December 1970, He graduated from the School of Law of Wuhan University in 1994, with a bachelor's degree in Law. He successively served as officer of the Discipline Inspection Team and Legal Department of the People's Bank of China Guangzhou Branch, deputy general manager of Asset Preservation and officer of Legal Affairs Centre of China Everbright Bank Limited Guangzhou Branch, lawyer and partner at the Chuang Jie Law Firm (創傑律師事務所) and independent director of Zhuhai Rural Commercial Bank. He is currently a lawyer and partner at D&S Law Firm, an independent director of Jiangmen Rural Commercial Bank Company Limited, and an independent non-executive Director of the Company.
Li Zhijian	Male, born in May 1970, a doctorate at The Hong Kong Polytechnic University. He served as a clerk at Guangdong Province Tobacco Company. He is currently the general manager of Guangzhou Shangdao Consulting Co., Ltd. (廣州市商道諮詢有限公司) and chairman of Guangdong Asia-Pacific Institute of Innovation Economy (廣東亞太創新經濟研究院). He is also an external director of Guangzhou Port Holding Co., Ltd. (廣州港集團有限公司), external director of Guangzhou Intelligent Equipment Group Co., Ltd. (廣州智能裝備產業集團有限公司), expert of the National Development and Reform Commission Service Industry Expert Advisory Committee, vice president of the British Branch of the European and American Alumni Association, vice chairman (part-time) of Association of the Social and Scientific Sectors of Guangdong, expert of the Fourth Decision-making Consultation of Guangzhou Municipal People's Government, representative of Guangzhou party congress, and an independent non-executive Director of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

Name	Main work experiences
Chen Shuofang	<p>Male, born in May 1972, a doctorate and American Certified Management Accountant. He graduated from the Department of International Finance of Fudan University in 1996 with a bachelor's degree in Economics, graduated from the School of Management of the Chinese University of Hong Kong in 2007 with a master's degree in Professional Accounting, and graduated from Shanghai Academy of Social Sciences with a master's degree in Industrial Economics and a PhD in Economics in 2014. He successively served as an investigator of the Department of Western Europe, Ministry of Foreign Affairs of the People's Republic of China; third secretary of the Mission of the People's Republic of China to the European Union; deputy general manager of the Department of Finance of China Shipbuilding Trading Co., Ltd. (中國船舶工業貿易公司); deputy general manager, finance controller and deputy secretary of the party committee of Hudong Heavy Machinery Company Limited (滬東重機股份有限公司); director, vice president and chief financial officer of Winterthur Gas & Diesel Ltd.; deputy general manager and general counsel of Hudong Heavy Machinery Company Limited (滬東重機有限公司). He is currently the chairman of the Supervisory Committee of Hudong Zhonghua Shipbuilding Co., Ltd. (滬東中華造船(集團)有限公司), chairman of the Supervisory Committee of China Marine Power (Group) Co., Ltd. and the Chairman of the Supervisory Committee of the Company.</p>
Chen Shu	<p>Female, born in July 1954, a senior lawyer with a bachelor's degree in law and graduated from the law school of Sun Yat-sen University in June 1990. She successively served as officer and deputy director of Guangzhou Liwan Justice Bureau, lawyer at Kingpound Law Firm, secretary-general of Guangzhou Lawyer Association, a deputy to the 10th, 11th and 12th National People's Congress; She is currently an advisor on legal affairs of the 13th Guangzhou Municipal Committee of the Chinese People's Political Consultative Conference, executive deputy president and secretary-general of Guangzhou People's Congress System Research Association, independent director of Kingfa Science & Technology Co., Ltd., Wens Foodstuff Group Co., Ltd. and Guangzhou Port Co., Ltd. and an outside director of Guangzhou Yuexiu Holding Limited; a supervisor of the Company.</p>
Zhu Weibin	<p>Male, born in June 1961, a senior accountant, a master postgraduate and a senior management accountant. He graduated from Hunan Vocational College for Light Industry in July 1988, majoring in accounting. He obtained a MBA from Lingnan (University) College in July 2001. He successively served as an accountant in the 711 Mine Finance Department of China National Nuclear Company; Supervisor of Guangzhou Economic Commission, Guangzhou Light Industry and Trade Group (廣州輕工工貿集團), an enterprise subordinated by the SASAC, Guangzhou Textile Industrial and Trading Group (廣州紡織工貿集團) and Guangzhou Zhujiang Brewery Group Co., Ltd. (廣州珠江啤酒集團有限公司); deputy chief financial officer, chief financial officer and secretary to the board of Guangzhou Zhujiang Brewery Group Co., Ltd. (廣州珠江啤酒股份有限公司) (a company listed on the Main Board of the Shenzhen Stock Exchange). He is currently a consultant of Guangzhou Zhujiang Brewery Group Co., Ltd. and a supervisor of the Company.</p>
Zhang Qingzhen	<p>Male, born in November 1967, a senior economist (a researcher level). He graduated from Sun Yat-Sen University with a bachelor's degree in July 1990, majoring in physics, and obtained a master's degree in business administration from South China University of Technology in December 2004. He successively served as party secretary and deputy director (concurrently) of hull engineering department, party secretary and deputy director of shipbuilding engineering department of shipbuilding branch, office director, party secretary and secretary to the board of directors of Guangzhou Wenchong Shipyard; party secretary of ship repairing division and deputy manager (concurrently) of ship repairing division of Guangzhou Wenchong Shipyard Co., Ltd.; deputy general manager, party secretary, secretary of party committee, secretary of discipline committee and chairman of labor union of Guangzhou CSSC Yuanhang Wenchong Marine Engineering Co., Ltd.; secretary of party committee, director, secretary of discipline committee, chairman of labor union and chairman of Guangzhou CSSC Yuanhang Dockyard Co., Ltd.; vice chairman, secretary of party committee, secretary of discipline committee and chairman of labor union of CSSC Chengxi Yuanhang Shipbuilding (Guangzhou) Co., Ltd.; chairman of Supervisory Committee of CSSC Chengxi Shipbuilding Co., Ltd.; general manager and deputy secretary of party committee of CSSC Chengxi Shipbuilding (Guangzhou) Company Limited; general manager, deputy secretary of party committee and secretary of party committee of Guangzhou CSSC Wenchong Dockyard Co., Ltd. He is currently deputy secretary of party committee, chairman of labor union and director of confidentiality (concurrently) of Guangzhou Shipyard International Company Limited, secretary of party committee of Guangzhou Wenchong Ship Building and Repair Co., Ltd., and a supervisor of the Company.</p>

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

Name	Main work experiences
Li Kai	Male, born in March 1980, a senior engineer. He graduated from Tsinghua University with a master's degree in 2006, majoring in software engineering. He successively served as salesperson of the pre-research and development division of the Ministry of Military Industry, deputy director and director of ship and marine engineering department of China State Shipbuilding Corporation Limited; party secretary and deputy director of the enterprise management and planning department, joint party secretary of the production and planning department and director of the enterprise management and planning department of CSSC Huangpu Wenchong Shipbuilding Company Limited. He is currently assistant to general manager and director of the enterprise management and planning department of CSSC Huangpu Wenchong Shipbuilding Company Limited, and a supervisor of the Company.
Li Zhidong	Male, born in April 1966, senior engineer. He graduated from Shanghai Jiaotong University with a bachelor's degree, majored in ship engineering, in engineering in July 1987 and obtained an MBA degree from CEIBS of Shanghai Jiaotong University in November 1997. He served as head of general office, chief legal advisor, assistant to general manager, board secretary and secretary of Hong Kong company of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently secretary to the Board of the Company.
Hou Zengquan	Male, born in May 1970, university graduate, senior accountant (researcher level), certified public accountant, certified management accountant and certified internal auditor. He graduated from Jinan University (暨南大學) in December 1992, major in accounting. He successively served as assistant to director and director of the finance centre of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司), as well as deputy chief accountant of Guangzhou Shipyard International Company Limited (廣船國際有限公司). He is currently deputy chief accountant and chief financial officer of the Company.

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

II POSITIONS OF CURRENT AND THE RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OFFICERS DURING THE REPORTING PERIOD

(i) Positions held at shareholders

Name	Name of shareholder	Positions held at shareholders	Date of appointment	Date of termination of office
Han Guangde	Guangzhou Ship Industrial Co., Ltd.	Chairman, party secretary	2018.08	Not applicable
Han Guangde	Guangzhou Shipyard Co., Ltd.	Chairman	2013.08	Not applicable
Han Guangde	Guangzhou Ruiling Industrial Development Co., Ltd.	Chairman	2020.04	Not applicable
Chen Zhongqian	Guangzhou Shipyard International Company Limited	Chairman	2018.08	Not applicable
Chen Zhongqian	China State Shipbuilding Corporation	Director	2020.05	Not applicable
Chen Liping	Guangzhou Shipyard International Company Limited	Director	2016.04	Not applicable
Chen Ji	Guangzhou Shipyard International Company Limited	Director, general manager	2016.06	Not applicable
Chen Ji	Guangzhou Wenchong Ship Building and Repair Co., Ltd	Chairman	2019.09	Not applicable
Chen Ji	Guangzhou Shipyard Co., Ltd.	Director	2013.08	Not applicable
Gu Yuan	China Shipbuilding Trading Co., Ltd.	deputy general manager of the Department of Finance	2019.10	Not applicable
Chen Shuofang	Hudong Zhonghua Shipbuilding Co., Ltd.	Chairman of Supervisory Committee	2020.05	Not applicable
Chen Shuofang	China Marine Power (Group) Co., Ltd.	Chairman of Supervisory Committee	2020.11	Not applicable
Zhang Qingzhen	Guangzhou Shipyard International Company Limited	Deputy secretary of party committee	2019.07	Not applicable
Zhang Qingzhen	Guangzhou Shipyard International Company Limited	Chairman of labor union	2019.09	Not applicable
Zhang Qingzhen	Guangzhou Wenchong Ship Building and Repair Co., Ltd.	Secretary of party committee	2019.12	Not applicable
Description of positions held at shareholders	-			

(ii) Positions held at other entities

Name	Name of other entities	Positions held at other entities	Date of appointment	Date of termination of office
Yu Shiyou	Lingnan College, Sun Yat-Sen University	Dean	2016.05	Not applicable
Yu Shiyou	Lingnan College, Sun Yat-Sen University	Deputy party secretary	2019.06	Not applicable
Lin Bin	School of Business, Sun Yat-sen University	Tutor r to doctoral students and professor	1998.11	Not applicable
Lin Bin	Southern Publishing and Media Company Limited	Independent director	2018.01	Not applicable
Lin Bin	Guangzhou Shiyuan Electronic Co., Ltd.	Independent director	2021.01	Not applicable
Lin Bin	Guangzhou Metro Design and Research Institute Co., Ltd.	Independent director	2018.08	Not applicable
Nie Wei	Jiangmen Rural Commercial Bank Company Limited	Independent director	2018.08	Not applicable
Li Zhijian	Guangzhou Port Holding Co., Ltd.	External director	2017.05	Not applicable
Li Zhijian	Guangzhou Intelligent Equipment Group Co., Ltd.	External director	2017.03	Not applicable
Zhu Weibin	Guangdong MeiShi Technology Co., Ltd.	Independent director	2020.01	2022.12
Zhu Weibin	Lonkey Industrial Co., Ltd., Guangzhou	Assets and financial consultant	2020.12	2021.12
Chen Shu	Jinfa Technology Co., Ltd	Independent director	2014.05	2020.12
Chen Shu	Guangdong Wen's Foodstuff Group Co., Ltd	Independent director	2018.12	Not applicable
Chen Shu	Guangzhou Port Co., Ltd	Independent director	2016.12	Not applicable
Chen Shu	Guangzhou Yuexiu Group Ltd. (廣州越秀集團股份有限公司)	External director	2016.01	Not applicable
Notes on positions held at other entities	-			

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

III REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process of remuneration of Directors, Supervisors and Senior Management	1、 In accordance with the Proposal for Remuneration for the Tenth Session of Directors, Supervisors and Senior Management, the Emolument and Examination Committee assessed the performance of executive Directors and senior management for the previous year, determined their performance coefficients and performance salaries, and reported to the Board for approval.
	2、 The Emolument and Examination Committee makes recommendations to the Board on special annual rewards to be issued to executive Directors, internal supervisors and senior management based on prevailing market conditions, performance of the Company and total amount of performance salaries.
Basis for determination of remuneration of Directors, Supervisors and Senior Management	The remuneration of existing Directors, Supervisors and senior management of the Company has been determined based on the Proposal for Remuneration for the Tenth Session of Directors, Supervisors and Senior Management. The remuneration for independent Directors is RMB200,000/year (inclusive of tax). The remuneration for external supervisor is RMB120,000/year (inclusive of tax).
Actual payment for the remuneration of Directors, Supervisors and Senior Management	For details, please refer to the section headed “Changes in the shareholding and remuneration of the Directors, Supervisors and Senior Management” in this chapter
Total actual remuneration of all Directors, Supervisors and Senior Management at the end of the Reporting Period	For details, please refer to the section headed “Changes in the shareholding and remuneration of the Directors, Supervisors and Senior Management” in this chapter

IV CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Sheng Jigang	Executive Director	Resigned	Personal reason for work
Shi Jun	Non-executive Director	Resigned	Change of session of the Board
Wang Yichu	Independent non-executive Director	Resigned	Change of session of the Board
Min Weiguo	Independent non-executive Director	Resigned	Change of session of the Board
Liu Renhuai	Independent non-executive Director	Resigned	Change of session of the Board
Jin Xuejian	Chairman of the Supervisory Committee	Resigned	Change of session of the Supervisory Committee
Fu Xiaosi	Supervisor	Resigned	Change of session of the Supervisory Committee
Mai Rongzhi	Employee supervisor	Resigned	Change of session of the Supervisory Committee
Zhang Shan	Employee supervisor	Resigned	Change of session of the Supervisory Committee
Gu Yuan	Non-executive Director	Elected	Change of session of the Board
Lin Bin	Independent non-executive Director	Elected	Change of session of the Board
Nie Wei	Independent non-executive Director	Elected	Change of session of the Board
Li Zhijian	Independent non-executive Director	Elected	Change of session of the Board
Chen Shuofan	Chairman of the Supervisory Committee	Elected	Change of session of the Supervisory Committee
Zhu Weibin	Supervisor	Elected	Change of session of the Supervisory Committee
Zhang Qingzhen	Employee supervisor	Elected	Change of session of the Supervisory Committee
Li Kai	Employee supervisor	Elected	Change of session of the Supervisory Committee

SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

V DETAILS OF STAFF OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(i) Details of staff

Number of existing employees of the Company	19
Number of existing employees of major subsidiaries	7,599
Total number of existing employees	7,618
Number of retired staff who incurred expenses of the Company and major subsidiaries	5,173

Functions

Type of functions	Number of employees (persons)
Production staff	4,365
Sales staff	0
Technical staff	2,005
Finance staff	58
Administrative staff	1,190
Total	7,618

Educational Background

Educational background	Number of employees (persons)
Master's degree or above	157
Bachelor's degree	2,549
Associate degree	1,653
Secondary technical graduates and below	3,259
Total	7,618

(ii) Remuneration policies

The remuneration of the employees of the Company and its subsidiaries includes salary, reward, and other welfare programs regulated by the PRC government. Subject to the relevant PRC laws and regulations, the Company implements salary system according to employees' position and performance, etc. There was no change during the Reporting Period.

(iii) Training plan

The Company and its subsidiaries have formulated training plans for implementation in view of changes in strategic development and product structure and the needs of staff development. Through arranging all staff to participate in learning all kinds of business knowledge and comprehensive improvement of their integrated quality and position competence, human resources have been provided to support effective operation of the Company. There was no change during the Reporting Period.

(iv) Labour outsourcing

Total working hours for labour outsourcing	20,733,900 hours
Total remuneration paid for labour outsourcing	RMB1,113,290,700

SECTION VIII CORPORATE GOVERNANCE

I INFORMATION ON CORPORATE GOVERNANCE

(i) Corporate governance

The Company always strictly conforms to the Company Law of the PRC and the Securities Law of the PRC, relevant regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and the Stock Exchange 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 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 to 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 had 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 confirmation 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.

Board of Directors

The Board comprises 10 directors, including 3 executive directors, 3 non-executive director 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 are set out in the section headed "Directors, supervisors, senior management and staff" in this report.

On the diversity of Board members, the Company fully understands the benefits of diversity of Board members to its development and has adopted a Board diversity policy. It has further enriched the composition of the Board members at the re-election of a new session of the Board. The current composition of the Board members reflects differentiation and diversification in various aspects such as expertise, industry experience, age, qualification and background.

The Board reports to shareholders' general meetings, fully represents the interests of shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Proceedings for Board Meetings" within its terms of reference as stipulated in the Articles of Associations. The Board also monitors the implementation of the Group's operation management and its financial performance, makes recommendations on the appointment of directors, and decides on important contracts and trading, as well as other important policies and financial matters. The Board has delegated daily responsibilities to executive directors and senior management. The management makes recommendations on the Company's daily operation and management. The positions of chairman and general manager of the Company are occupied by different persons in order to ensure the independence of the decision-making of the Board, and the daily operation and management activities of the management. The chairman of the Company is Mr. Han Guangde, who is mainly responsible for leading the Board in the development of overall development strategies of the Company and ensuring that the Board operates effectively in performing its duties, establishing sound corporate governance system and practices and that the Board acts in the best interests of the Company and its shareholders as a whole. Mr. Chen Liping is the general manager of the Company and is mainly responsible for administrative affairs of the Company, including implementing the resolutions passed by the Board, establishing basic management rules and making decisions in respect of daily operation of the Company.

In 2020, the Company held a total of 9 Board meetings, including 3 on-site meetings and 6 meetings held by communication equipment, issued 4 regular reports and 51 extraordinary announcements, conveyed related information to the market such as operational conditions, market conditions, important resolutions passed at meetings, significant personnel changes and connected transaction in a timely manner. All resolutions considered at the Board meetings during the year 2020 had been submitted to the party organisation and the general manager office meeting of the Company for consideration and decision-making before they were submitted to the Board for discussion, and the relevant opinions were carefully listened. No fault has been made in respect of the announcements disclosed in respect of resolutions considered and approved at the Board meetings during the year. The decision-making procedures and the relevant decisions are in compliance with the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Articles of Association and the requirements of applicable laws and regulations, and the resolutions passed are legal and valid.

The dates of regular Board meetings each year are determined in advance, and the notice of periodic meetings is given 14 days prior to the meeting, while the notice of extraordinary meetings is given in reasonable time, so that more directors can attend the meeting. The secretary to the Board assists the chairman in preparing agenda of meetings and ensuring the observance of all applicable rules and regulations. The agenda and attached documents relating to the resolution to be proposed by the Board are generally sent to all directors at least 7 days before the periodic Board meetings (if feasible, it is also applicable to other Board meetings). The secretary to the Board is responsible for recording and maintaining the minutes and related meeting documents of the Board and committees thereunder, which are available for the directors' inspection at any time. Minutes reflects the information of review and voting, and directors' opinions at the meeting objectively and in detail, and is confirmed by each attending director by signing. When considering connected transactions, the connected directors shall abstain from voting.

SECTION VIII CORPORATE GOVERNANCE

Each director has the right to inspect the documents of the Board and related data, and to seek opinions and services from the secretary to the Board. The Board and each director may contact the Company's senior management individually and independently.

The Board reviews internal control once annually in order to ensure the effectiveness of its internal control system.

Directors

The executive directors are appointed for a term of three years, and may offer themselves for re-election after the terms expired. Term of service for non-executive directors (including independent non-executive directors) is three years and is renewable. Independent non-executive directors are eligible for re-election subject to a maximum of six years. There is no relationship among Board members, including financial, operational, family or other relevant material relations.

Through the secretary to the Board, all directors can obtain timely information and updates relating to statutory, regulatory and other ongoing obligations that directors of a listed company must comply with, ensuring the directors' understanding of their duties and duly implementation of procedures for the Board in compliance with applicable laws and regulations.

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organizations in relation to securities transactions by directors, supervisors and senior management. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code of conduct for the securities trading of shares by the Company's directors. The Company has made specific inquiries of all directors and supervisors and they have confirmed that they have fully complied with the Model Code, and have not traded in the shares of the Company during the period before the publication of price-sensitive information such as periodic reports, announcements, profit warning, and other significant events announcements in 2020.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended 31 December 2020 in order to give a true and fair view of the Company and the Group's financial position and results of operations.

The Company encourages directors, supervisors and senior management to take part in the overall and professional development and learning on related listing rules and code on corporate governance practices organized by the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Hong Kong Stock Exchange and The Hong Kong Institute of Chartered Secretaries, arranged directors and supervisors to receive periodic trainings for directors and supervisors. Through Monthly Board Reports, important areas of securities regulation are conveyed to Directors, supervisors and senior management to continue to expand the professional qualities of Directors, supervisors and senior management.

During the Reporting Period, Mr. Li Zhidong, company secretary of the Company, had duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules and satisfied the requirement of 15 hours of training per year.

In addition, during the Reporting Period, there was a change of session of the Board and independent non-executive directors of the Company, details of which are set out below. The Company has received annual confirmation of independence issued by Yu Shiyong, Lin Bin, Nie Wei and Li Zhijian, all independent non-executive Directors, in accordance with Rule 3.13 of the Listing Rules, and consider them independent as at the date of this report. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Listing Rules.

SECTION VIII CORPORATE GOVERNANCE

During the Reporting Period, the current and resigned Directors of the Company are as follows:

Name of Director	Annual appointment status
Han Guangde	Serving
Chen Zhongqian	Serving
Chen Liping	Serving
Xiang Huiming	Serving
Chen Ji	Serving
Gu Yuan	Appointed as non-executive Director on 23 October 2020
Yu Shiyou	Serving
Lin Bin	Appointed as independent non-executive Director on 23 October 2020
Nie Wei	Appointed as independent non-executive Director on 23 October 2020
Li Zhijian	Appointed as independent non-executive Director on 23 October 2020
Sheng Jigang	Appointed as executive Director on 5 December 2018, resigned on 8 December 2020
Shi Jun	Appointed as non-executive Director on 12 February 2018, resigned on 23 October 2020
Wang Yichu	Appointed as independent non-executive Director on 5 November 2015, resigned on 23 October 2020
Min Weiguo	Appointed as independent non-executive Director on 5 November 2015, resigned on 23 October 2020
Liu Renhuai	Appointed as independent non-executive Director on 12 February 2018, resigned on 23 October 2020

(ii) Specialized committees under the Board

The Board has set up four specialized committees. The Board selects and appoints members of each committee by taking into account the expertise and experience of each director so that each committee can carry out its functions with high efficiency. Each committee has established a work team, consisting of employees of the relevant functional departments of the Company, to assist the committee's work. The Company's directors and specialized committees under the Board have the right to appoint an independent professional institution to provide services for them at the expense of the Company, in order to facilitate their performance of functions and duties in view of business needs.

1. Audit Committee

The principal responsibility of the Audit Committee is assisting the Board in reviewing the financial reporting procedures, the effectiveness of the internal control and risk management system, monitoring the audit procedures, making normal and transparent arrangements for maintaining proper relationship with the Company's auditor, and communicate with internal audit department and external auditors independently. As at the end of the Reporting Period, members of the Audit Committee were Lin Bin (chairman), Yu Shiyou and Nie Wei, all independent non-executive Directors.

In 2020, the Audit Committee under the ninth session of the Board held a total of 9 meetings, at which they listened to the financial reports, financial position, internal control self-assessment reports for 2019, the first quarter of 2020, the first half of 2020 and the third quarter of 2020 passed resolutions on these matters following thorough discussion and reported in time to the Board. Member of the Audit Committee attended the above meetings.

SECTION VIII CORPORATE GOVERNANCE

In addition, in accordance with the Implementation Rules for the Audit Committee, the Audit Committee communicated timely with the auditors, reviewed the financial statements of 2020 prepared by the Company before and after the auditors visits the Company and after the auditors have prepared their reports and formed a written opinion.

2. **Nomination Committee**

The Nomination Committee is principally responsible for selecting the candidates for Directors and managers, determining selection criterion and procedures and making recommendations to the Board. As at the end of the Reporting Period, members of the Nomination Committee were Nie Wei (chairman), Li Zhijian, both independent non-executive Directors, and Gu Yuan, a non-executive Director.

In 2020, the nomination committee of the Board held 2 meetings, and considered and passed the proposals on the nomination of candidates for the Directors of the tenth session of the Board of the Company, the election of the chairman of the nomination committee of the tenth session of the Board of Directors of the Company, the nomination of the general manager of the Company, the nomination of the secretary of the Board of the Company, the nomination of the financial officer of the Company and the nomination of the securities representative of the Company. All members were present at the meetings.

3. **Emolument and Examination Committee**

The Emolument and Examination Committee is responsible for developing assessment standards for senior management, carrying out assessment and making recommendations, as well researching and reviewing the emolument policies and programs for senior management. As at the end of the Reporting Period, members of the Emolument and Examination Committee were Yu Shiyong (chairman), Lin Bin and Li Zhijian, all independent non-executive Directors.

In 2020, the nomination committee of the Board held 2 meetings, and considered and passed the proposals on the nomination of candidates for the Directors of the tenth session of the Board of the Company, the election of the chairman of the nomination committee of the tenth session of the Board of Directors of the Company, the nomination of the general manager of the Company, the nomination of the secretary of the Board of the Company, the nomination of the financial officer of the Company and the nomination of the securities representative of the Company. All members were present at the meetings.

4. **Strategy Committee**

The Strategy Committee is responsible for the review of the strategic development of the Company. It implements the strategic planning of the Company, monitors the execution of the strategic planning, and timely adjusts the strategic and governance structure of the Company. As at the end of the Reporting Period, members of the Strategy Committee included Han Guangde, Chen Zhongqian, Chen Liping, Xiang Huiming, Chen Ji and Gu Yuan, all executive Directors.

In 2020, there was no meeting held by the Strategy Committee under the tenth session of the Board.

(iii) **Corporate Governance Function**

The Board is responsible for corporate governance functions collectively, including:

- Formulating, considering and analyzing the Company's corporate governance policy, principle, convention, practice and process, comparing them with the regulations of all guidelines (the "Guidelines") formulated by all competent regulatory bodies from time to time, and making recommendations on improvement;
- Suggesting necessary changes to the Board in order to respond to and meet the requirements of the Guidelines;
- Reviewing and monitoring the Company's policies and practices for observing laws and regulatory requirements;
- Reviewing the Company's internal policies annually;
- Examining and monitoring the training and sustained professional development of directors and senior management;
- Developing, examining and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors;
- Reviewing the Company's compliance with applicable laws and rules for corporate governance, (including but not limited to) the CG Code, as well as the requirements of the China Securities Regulatory Commission on corporate governance, and the Company's disclosure on the corporate governance in its annual reports and interim reports.

SECTION VIII CORPORATE GOVERNANCE

(iv) SHAREHOLDERS AND GENERAL MEETINGS

The Board endeavors to maintain on-going communication with shareholders and considers the annual general meeting as a major opportunity to keep contact with shareholders. All shareholders holding shares of the Company are entitled to attend general meetings.

The Company issues notice of general meeting 45 days prior to the date of general meeting, and issues announcement and dispatches circulars in accordance with the relevant rules, setting out the matters to be considered and voting procedures at the meetings. Separate resolutions are proposed at the general meeting and voted on by way of poll on each separate issue, including the election of individual directors. The chairman of the Board attends and presides over the general meeting and arranges for representatives of independent non-executive directors and the management of the Company to answer questions raised by shareholders at the meeting. The voting method and procedures at general meetings are set out in the Articles of Association and the Rules of Proceedings for General Meetings, contained in the shareholders' circular and explained at the meeting. For information of directors' attendance at general meetings, please refer to the sub-section headed "Attendance of Directors at Board meetings and general meetings" in this section.

1. Policy on Communication with Shareholders

The Company has established the following channels to maintain continuing communication with shareholders:

- (1) The Company's corporate communications published in printed form and available for inspection at the HKEXnews websites of the Hong Kong Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (comec.cssc.net.cn), such as annual report, interim report and circular;
- (2) Announcement made periodically through The Stock Exchange of Hong Kong Limited, and set out at the websites of the Hong Kong Stock Exchange and the Company respectively;
- (3) The Company's information and the Articles of Association are available at the Company's website;
- (4) Board members (in particular the chairmen or their representatives of each specialized committee under the Board), proper administration personnel and external auditors will attend the annual general meeting and answer shareholders' questions; and
- (5) In case of any doubt about the shares held by them, shareholders may bring forward such questions to the Company's share registrar (H Shares) or securities business department (A Shares) making transaction rules.

2. Shareholders' Rights

Ways for shareholders to convene extraordinary general meeting

Two or more shareholders holding more than 10% (including 10%) of the shares with voting rights issued by the Company in total shall have the right to propose the convening of extraordinary general meeting, and shall make the proposal in writing to the Board.

The Board shall give a written reply on whether or not to agree with the proposal on convening extraordinary general meeting as soon as possible and in any event within 10 days after receiving the request in accordance with the requirements of laws, administrative rules and the Articles of Association.

If the Board agrees with the proposal on convening extraordinary shareholders' meeting, the Board shall give a notice on convening general meeting within 30 days after receiving the written request, and any alteration of the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree with the proposal on convening extraordinary general meeting, or if it fails to give a reply within 10 days after receiving the request or fails to give a notice on convening general meeting within 30 days after receiving the written request, the shareholders making the proposal may convene general meeting within four months after the Board receives the request, and the convening procedures shall, to the extent possible, be the same as that for the Board to convene a general meeting.

In case shareholders convene general meeting themselves, they shall notify the Board in writing, and shall report to the local branch of the China Securities Regulatory Commission and the stock exchange of the jurisdiction where the Company is located.

The necessary expenses for general meeting convened by shareholders shall be borne by the Company.

SECTION VIII CORPORATE GOVERNANCE

Procedures for shareholders to raise inquiry to the Board and related information

After making a reasonable payment, shareholders have the right to inspect and obtain related information in accordance with the Company's Articles of Association, including:

- (1) All registers of shareholders;
- (2) Personal information of the Company's directors, supervisors, managers and other members of senior management;
- (3) The Company's share capital and bonds register;
- (4) The report on the total book value, quantity, highest price and lowest price of each class of its own shares repurchased by the Company since the end of the previous fiscal year, and the total expenses paid by the Company for purchasing such stocks;
- (5) Minutes of general meetings, resolutions passed at Board meetings, resolutions passed at meetings of the Supervisory Committee, and financial and accounting reports.

In order to make enquiries about/inspect the aforesaid related information or requesting documents, shareholders shall make the request through the Company's address in Mainland China (15/F Marine Tower, 137 Gexin Road, Haizhu District, Guangzhou, the People's Republic of China) or Hong Kong (54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong), and provide the Company with written documents evidencing the class and number of shares of the Company held by them. After checking and verifying shareholders' identity, the Company will provide related information or documents.

Procedures for putting forward proposals at general meeting

At a general meeting, shareholders holding more than 5% (including 5%) of the Company's shares with voting rights shall have the right to put forward new proposals in writing to the Company at least 10 days before the general meeting. Within 2 days after receiving the proposal, the Company shall give a supplementary notice on general meeting stating the contents of the proposal, and shall include matters within the responsibility scope of general meeting in the agenda of this meeting.

All shareholders who appear on the shareholders register on the record date shall have the right to attend in person or by one or more proxies, who need not to be shareholders, and vote at the general meeting. Shareholders and their proxies shall have the right to speak and vote at the general meeting.

3. The Company's Independence from the Controlling Shareholder

In 2020, the controlling shareholder of the Company had never been involved in any acts of bypassing the general meeting or interfering, whether directly or indirectly, with the Company's decision-making or operation. The Company and CSSC are independent of each other in terms of personnel, assets, finance, organization and business.

The connected transactions between the Company and CSSC were carried out in strict compliance with the listing rules of the relevant stock exchanges with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors were appointed to express their opinions. It is the policy of the Company and CSSC to conduct monthly monitoring of continuing connected transactions and report to the Board on a monthly basis and to Directors on the safety of connected deposits on an annual basis. The total value of continuing connected transactions in 2020 did not exceed the caps approved at the general meeting.

SECTION VIII CORPORATE GOVERNANCE

II GENERAL MEETINGS

Meeting	Date of meeting	Index for details on websites designated for publishing resolutions	Date of disclosure
First extraordinary general meeting of 2020	2020.2.26	Announcement on website of the Shanghai Stock Exchange and the Stock Exchange, website of the Company	2020.2.27
Second extraordinary general meeting of 2020	2020.4.24	Announcement on website of the Shanghai Stock Exchange and the Stock Exchange, website of the Company	2020.4.25
Annual general meeting of 2019	2020.6.12	Announcement on website of the Shanghai Stock Exchange and the Stock Exchange, website of the Company	2020.6.13
Third extraordinary general meeting of 2020	2020.10.23	Announcement on website of the Shanghai Stock Exchange and the Stock Exchange, website of the Company	2020.10.24

Description of general meetings

1. The First Extraordinary General Meeting of 2020: consideration of the resolution in relation to the 2020 to 2022 Framework Agreement entered into between the Company and China State Shipbuilding Corporation Limited relating to the Continuing Connected Transactions.
2. The Second Extraordinary General Meeting of 2020: consideration of the resolution on the connected transaction in relation to the transfer of 49% equity interest in CSSC Chengxi Yangzhou Shipbuilding Company Limited.
3. The Annual General Meeting of Shareholders of 2019: consideration of the report of the board of directors for 2019, the report of the supervisory committee for 2019, the annual report for 2019 (including the financial statements for 2019), the proposal for profit distribution for 2019, the resolution on the provision of guarantee(s) by the Company for its subsidiary(ies) and vice versa and the maximum amount of guarantee for 2020, the resolution regarding the purchase of liability insurance of the Company for the directors, supervisors and senior management, the resolution on the appointment of the auditor of the financial report of the Company for 2020.
4. The Third Extraordinary General Meeting of 2020: consideration of the resolution in relation to the formulation of the Management Rules for the Remuneration of the Tenth Session of Directors, Supervisors and Senior Management of the Company, the resolution in relation to the Supplemental Agreement to 2020 to 2022 Framework Agreement entered into between the Company and China State Shipbuilding Corporation Limited relating to the Continuing Connected Transactions, the resolution in relation to the election of directors of the Company, the resolution in relation to the election of independent non-executive directors of the Company, the resolution in relation to the election of supervisors the Company.

III PERFORMANCE OF DUTIES BY DIRECTORS

(i) Attendance of Directors at Board meetings and general meetings

Name of Directors	Independent or not	Required attendance during the year	Attendance at Board meetings					Absence from two consecutive meetings or not	Attendance at general meetings
			Attendance in person	Attendance by communication equipment	Attendance by proxy	Number of absence			
Han Guangde	No	9	3	6	0	0	No	4	
Chen Zhongqian	No	9	2	6	1	0	No	0	
Chen Liping	No	9	3	6	0	0	No	4	
Xiang Huiming	No	9	1	6	2	0	No	0	
Chen Ji	No	9	1	6	2	0	No	1	
Gu Yuan	No	3	0	2	1	0	No	0	
Yu Shiyou	Yes	9	3	6	0	0	No	3	
Lin Bin	Yes	3	1	2	0	0	No	0	
Nie Wei	Yes	3	1	2	0	0	No	0	
Li Zhijian	Yes	3	0	2	1	0	No	0	
Sheng Jigang	No	8	0	6	2	0	No	1	
Shi Jun	No	6	0	4	2	0	No	0	
Wang Yichu	Yes	6	2	4	0	0	No	3	
Min Weiguo	Yes	6	2	4	0	0	No	0	
Liu Renhuai	Yes	6	1	4	1	0	No	0	
Number of Board meetings during the year					9				
Including: Number of on-site meetings					3				
Number of meetings convened by communication equipment					6				
Number of meetings both on-site and by communication equipment					0				

IV DURING THE REPORTING PERIOD, NO MEMBERS OF THE SPECIALIZED COMMITTEES UNDER THE BOARD HAD RAISED ANY OBJECTION IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD

V SUPERVISORY COMMITTEE'S DESCRIPTION ON RISKS IDENTIFIED IN THE COMPANY

During the Reporting Period, no risk had been identified by the Supervisory Committee in monitoring the operation of the Company.

VI OTHERS – INSIDERS REGISTRATION MANAGEMENT

During the Reporting Period, no Directors, supervisor, senior management or other insiders had been found to have traded shares of the Company using inside information prior to the disclosure of regular reports of the Company.

VII CONCLUSION

The Board of the Company considers that, raising the level of corporate governance is not just for applying and observing the CG Code, but also for pushing forward and developing moral and sound corporate culture. The Company will strive to constantly review and improve its practices at appropriate time by monitoring the changes and developments based on its own experience. In addition, shareholders are welcome to bring forward any opinions and recommendations in order to promote and improve the transparency of corporate governance.

SECTION IX INTERNAL CONTROL

I STATEMENT ON INTERNAL CONTROL

The Company has established an effective internal control system in accordance with the Guidelines for Internal Control of Listed Companies issued by Shanghai Stock Exchange and the listing rules of the Stock Exchange. The Board evaluates the effectiveness of internal control system once a year. During the Reporting Period, the Company completed internal control self-assessment report for 2020. The Board has evaluated and validated the risk management and internal control system of the Group and has not found any violation of laws, regulations and rules or any significant deficiencies in compliance monitoring and risk management or any major mistakes. The Board considers the risk management and internal control system of the Group effective.

The full text of the Internal Control Self-Assessment Report for 2020 had been uploaded to the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 31 March 2021.

II AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

WUYIGE has conducted independent audit of the effectiveness of the Company's internal control for 2020 and issued an internal control auditors' report without qualifying opinions. For details, please refer to the internal control auditors' report of the Company disclosed on the website of the SSE (www.sse.com.cn) on 31 March 2021.



大信會計師事務所
北京市海澱區知春路1號
學院國際大廈15層
郵編100083

WUYIGE Certified Public Accountants, LLP
15/F, Xueyuan International Tower
No.1 Zhichun Road, Haidian Dist.
Beijing, China, 100083

電話 Telephone: +86 (10) 82330558
傳真 Fax: +86 (10) 82327668
網址 Internet: www.daxin CPA.com.cn

AUDITORS' REPORT

WUYIGE Shen Zi [2021] No. 1-01088

TO ALL SHAREHOLDERS OF CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED,

I. AUDITORS' OPINION

We have audited the financial statements of CSSC Offshore & Marine Engineering (Group) Company Limited ("COMEC" or the "Group"), which comprise the consolidated and the Company's balance sheets as at 31 December 2020, the consolidated and the Company's income statements, the consolidated and the Company's cash flows statements and the consolidated and the Company's statements of changes in owners' equity for 2020 and the notes to the financial statements.

In our opinion, the accompanying financial statements of COMEC present fairly, in all material aspects, COMEC's and consolidated financial position as at 31 December 2020 and its and consolidated results of operations and cash flows for the year 2020 in accordance with the Accounting Standards for Business Enterprises.

II. BASIS FOR AUDITORS' OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of COMEC in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our auditors' opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Recognition of revenue from the fulfilment of obligations

1. Description of the Matter

The Group principally engages in building of large ships and offshore engineering products, ship maintenance. As shown in Note III.(26), the Group adopts the input method(i.e. determining the appropriate progress of performance based on the total actual contract cost incurred in proportion to the total expected contract cost) on shipbuilding, offshore engineering products and other products to recognize the revenue based on the progress of performance. As shown in Note V.(51)3, the Group recognizes a revenue of RMB 10.629 billion, representing 91.56% of operating income. The amount and its proportion to the operating income are relatively significant and involve accounting estimates of the Management.

Revenue recognized by the adoption of the input method involves significant judgement and estimates of the Management. Such estimates are affected by the impact of future market and the judgement on economic situation, thus may affect whether the Group recognizes revenue based on the progress of performance during the appropriate Reporting Period. As such, we considered the revenue based on contract performance progress as a key audit matter.

SECTION X FINANCIAL REPORT

2. *How the matter is addressed in auditing*

As to revenue recognized by the adoption of the input method, our key procedures include:

- (1) We understood and tested the policies, procedures, methods and relevant internal controls for the determination of total cost;
- (2) We checked the implementation of contracts such as contracts under construction and their settlement;
- (3) discuss with relevant personnel the total projected cost of the project under construction and the reasonableness of its adjustment;
- (4) We tested the progress of the performance of projects under construction and the relevant data as its basis to confirm the reasonableness of the estimate;
- (5) In accordance with the audit procedures for inventories, we conducted on-site counting and cut-off tests for contracts uncompleted as at the end of the year and checked whether the accounting of the incurred contract cost was accurate.

(II) **Investment income arising from disposal of equity interest**

1. *Description of the Matter*

For the year of 2020, the Group's income statement presents investment income of RMB3,858 million, consisting mainly of:

(1) *Transfer of equity interest in GSI*

In February 2020, the Company transferred its 27.4214% equity interest in Guangzhou Shipyard International Company Limited ("GSI") to China CSSC Holdings Limited ("CSSC Holdings") at the consideration of RMB2,858 million and received the equivalent value of additional shares issued by CSSC Holdings, resulting in an investment income of RMB3,390 million, as described in Note V.(58), VI.(2) and X(II)5(1).

(2) *Equity Transfer in Chengxi Yangzhou*

In August 2020, the Company transferred its 49% equity interest in CSSC Chengxi Yangzhou Shipbuilding Company Limited ("Chengxi Yangzhou ") to CSSC Holdings and CSSC Chengxi Shipbuilding Co., Ltd. ("CSSC Chengxi ") by way of agreement with a total transaction amount of RMB964 million, of which, CSSC Holdings and CSSC Chengxi were transferred 24% and 25% equity interests in Chengxi Yangzhou, respectively, resulting in an investment income of RMB322 million, as detailed in Note V. (58) and X. (II) 5 (2).

The above-mentioned transfer of equity has a significant impact on the operating results of the Group, and we have therefore identified it as a key audit matter.

2. *How the matter is addressed in auditing*

For the Group's investment income recognition, we have performed the following relevant procedures:

- (1) We understood, assessed and tested the design and implementation of the internal control system in relation to the disposal of equity interests;
- (2) We understood and verified the relationship between the Group and the equity transferee.
- (3) We obtained resolutions of shareholders' meetings, resolutions of the board of directors, equity transfer contracts, and inquired about information on industrial and commercial changes to check the basis and timing of actual loss of control;
- (4) We obtained appraisal reports and audit reports of the investee, etc., checked the accuracy of the fair value calculation as of the date of loss of control, obtained relevant bank flows, and performed recalculation procedures on the investment income calculation process.

IV. OTHER INFORMATION

The management of COMEC (the management) is responsible for the other information. The other information comprises the information included in the 2020 annual report of its A shares and H shares of COMEC, but does not include the financial statements and our auditor's report thereon. We have obtained the 2020 annual report for A shares prior to the audit report date and the 2020 annual report for H shares is expected to be provided to us after the audit report date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management is responsible for preparing of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing COMEC's ability to continue as a going concern, disclosure of matters regarding going concern, and using the going concern basis of accounting unless the management either intend to liquidate COMEC or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing COMEC's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to affect the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, however, the purpose is not to express an opinion on the effectiveness of internal control.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on COMEC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause COMEC to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within COMEC to express an auditor's opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our auditor's opinion.

SECTION X FINANCIAL REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP

Beijing, the PRC

Certified Public Accountant of China:

Yang Xin
(Project Partner)

Certified Public Accountant of China:

Xu Zongliang

30 March 2021

CONSOLIDATED BALANCE SHEET

31 December 2020

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

Unit: Yuan Currency: RMB

Item	Notes	31 December 2020	31 December 2019
Current assets:			
Cash at bank and on hand	V(1)	8,767,750,124.49	14,317,366,099.93
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading	V(2)	1,055,191,244.71	48,785,784.80
Derivative financial assets			
Notes receivable	V(3)	161,625,007.63	633,564,863.60
Accounts receivable	V(4)	1,244,416,936.61	2,350,380,440.10
Receivable financing			
Prepayments	V(5)	1,218,386,548.91	2,339,261,199.21
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contracts receivable			
Other receivables	V(6)	132,470,963.43	1,822,048,699.16
Including: Interest receivable			8,794,796.77
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	V(7)	4,199,310,024.12	4,344,806,992.50
Contract assets	V(8)	4,445,388,926.29	6,336,385,363.12
Assets held for sale			
Non-current assets due within one year	V(9)		692,000,000.00
Other current assets	V(10)	577,884,115.75	350,850,895.77
Total current assets		21,802,423,891.94	33,235,450,338.19
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables	V(11)	1,996,607,880.36	2,703,137,274.56
Long-term equity investments	V(12)	4,938,277,647.10	753,695,038.72
Investments in other equity instruments	V(13)	3,923,780,494.34	71,248,734.49
Other non-current financial assets			
Investment properties	V(14)	149,261,481.66	20,993,939.36
Fixed assets	V(15)	3,952,299,253.50	11,439,928,689.69
Construction in progress	V(16)	348,779,440.60	1,181,944,326.01
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V(17)	116,000,602.24	149,351,363.01
Intangible assets	V(18)	918,938,540.79	2,072,573,536.99
Development expenses	V(19)		
Goodwill	V(20)		144,231,195.67
Long-term prepaid expenses	V(21)	21,210,225.34	75,592,524.66
Deferred tax assets	V(22)	380,087,605.36	377,902,704.29
Other non-current assets	V(23)	389,850,209.29	78,019,489.34
Total non-current assets		17,135,093,380.58	19,068,618,816.79
Total assets		38,937,517,272.52	52,304,069,154.98

CONSOLIDATED BALANCE SHEET

31 December 2020

Item	Notes	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings	V(24)	2,049,871,666.70	6,147,082,148.56
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading	V(25)		221,737,672.75
Derivative financial liabilities			
Notes payable	V(26)	2,292,202,595.08	3,063,415,001.67
Accounts payable	V(27)	5,587,133,569.37	8,687,397,898.75
Advances from customers	V(28)	7,855,200.00	
Contract liabilities	V(29)	5,172,239,729.14	8,488,146,386.62
Securities sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	V(30)	851,463.48	40,446,901.64
Taxes payable	V(31)	26,054,822.85	72,234,563.79
Other payables	V(32)	158,810,463.41	344,881,770.61
Including: Interest payable			35,332,096.80
Dividends payable		304,042.49	394,042.49
Fee and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	V(33)	2,884,252,298.08	2,281,928,067.24
Other current liabilities	V(34)	319,331,239.99	63,237,341.88
Total current liabilities		18,498,603,048.10	29,410,507,753.51
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	V(35)	2,117,721,642.34	6,049,757,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	V(36)	96,494,152.25	110,198,081.27
Long-term payables	V(37)		101,816,823.07
Long-term employee benefits payable	V(38)	166,642,915.39	229,389,012.33
Estimated liabilities	V(39)	146,653,315.33	694,854,560.21
Deferred income	V(40)	78,742,779.90	150,307,309.25
Deferred tax liabilities	V(22)	281,517,181.48	9,514,927.47
Other non-current liabilities			
Total non-current liabilities		2,887,771,986.69	7,345,837,713.60
Total liabilities		21,386,375,034.79	36,756,345,467.11

CONSOLIDATED BALANCE SHEET

31 December 2020

Item	Notes	31 December 2020	31 December 2019
Owners' equity (or shareholders' interests):			
Paid-in capital (or share capital)	V(41)	1,413,506,378.00	1,413,506,378.00
Other equity instruments Including: Preference shares Perpetual bonds			
Capital reserve	V(42)	9,309,822,030.75	9,418,941,779.55
Less: Treasury shares			
Other comprehensive income	V(43)	699,020,433.90	-41,694,917.30
Special reserve	V(44)		443,910.04
Surplus reserve	V(45)	1,035,952,912.65	962,452,773.01
Provision for general risks			
Undistributed profit	V(46)	1,973,789,791.39	-1,605,393,084.53
Total equity (or shareholders' interests) attributable to shareholders of the Company		14,432,091,546.69	10,148,256,838.77
Minority interests	V(47)	3,119,050,691.04	5,399,466,849.10
Total equity (or shareholders' interests)		17,551,142,237.73	15,547,723,687.87
Total liabilities and equity (or shareholders' interests)		38,937,517,272.52	52,304,069,154.98

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

BALANCE SHEET OF THE COMPANY

31 December 2020

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

Unit: Yuan Currency: RMB

Item	Notes	31 December 2020	31 December 2019
Current assets:			
Cash at bank and on hand	XV(1)	743,639,395.39	113,638,189.16
Financial assets held-for-trading	XV(2)	672,125,000.00	
Derivative financial assets			
Notes receivable			
Accounts receivable	XV(3)	537,928.20	40,084,782.69
Receivable financing			
Prepayments	XV(4)	603,475.71	6,585,840.89
Other receivables	XV(5)	261,726.58	8,852,312.88
Including: Interest receivable			199,136.97
Dividends receivable			
Inventories	XV(6)	18,364,424.20	78,044,136.16
Contract assets			
Assets held for sale			
Non-current assets due within one year	XV(7)	835,538,777.80	270,000,000.00
Other current assets	XV(8)	42,669,414.34	244,609,360.00
Total current assets		2,313,740,9142.22	761,814,621.78
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables	XV(9)		600,000,000.00
Long-term equity investments	XV(10)	6,338,975,578.23	7,873,786,253.99
Investments in other equity instruments	XV(11)	3,847,485,064.04	
Other non-current financial assets			
Investment properties	XV(12)	149,261,481.66	
Fixed assets	XV(13)	229,803,957.90	447,436,065.79
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets	XV(14)	986,041.81	1,896,234.13
Intangible assets	XV(15)		10,161,107.29
Development expenses			
Goodwill			
Long-term prepaid expenses	XV(16)	374,871.51	720,906.87
Deferred tax assets	XV(17)		20,000,000.00
Other non-current assets	XV(18)		436,902,001.36
Total non-current assets		10,566,886,995.15	9,390,902,569.43
Total assets		12,880,627,137.37	10,152,717,191.21

BALANCE SHEET OF THE COMPANY

31 December 2020

Item	Notes	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings	XV(19)		200,000,000.00
Financial liabilities held-for-trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	XV(20)	148,524,497.33	179,911,996.18
Advances from customers	XV(21)	7,855,200.00	
Contract liabilities	XV(22)	15,419,870.53	59,818,924.73
Employee benefits payable	XV(23)		
Taxes payable	XV(24)	757,913.38	2,802,092.60
Other payables	XV(25)	443,067.26	53,598,763.60
Including: Interest payable			565,277.78
Dividends payable		304,042.49	304,042.49
Liabilities held for sale			
Non-current liabilities due within one year	XV(26)	601,303,114.39	200,898,274.92
Other current liabilities	XV(27)		30,817.60
Total current liabilities		774,303,662.89	697,058,869.63
Non-current liabilities:			
Long-term borrowings	XV(28)		600,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	XV(29)	86,381.44	1,096,162.49
Long-term payables	XV(30)		99,370,000.00
Estimated liabilities			
Deferred income			
Deferred tax liabilities	XV(17)	247,931,716.01	
Other non-current liabilities			
Total non-current liabilities		248,018,097.45	700,466,162.49
Total liabilities		1,022,321,760.34	1,397,525,032.12
Owners' equity (or shareholders' interests):			
Paid-in capital(or share capital)	XV(31)	1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	XV(32)	8,436,074,569.57	6,147,927,729.10
Less: Treasury shares			
Other comprehensive income	XV(33)	738,114,305.04	
Special reserve			
Surplus reserve	XV(34)	552,474,712.68	472,681,889.15
Undistributed profit	XV(35)	718,135,411.74	721,076,162.84
Total equity (or shareholders' interests)		11,858,305,377.03	8,755,192,159.09
Total liabilities and equity (or shareholders' interests)		12,880,627,137.37	10,152,717,191.21

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED INCOME STATEMENT

From January to December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Total operating income		11,608,460,726.70	21,829,002,963.77
including: Operating income	V(51)	11,608,460,726.70	21,829,002,963.77
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		12,021,269,233.27	22,765,213,622.02
Including: Operating cost	V(51)	10,854,785,939.26	20,959,294,954.13
Interest expense			
Fee and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net increase in insurance contracts reserve			
Policy dividend payment			
Reinsured expenses			
Taxes and surcharges	V(52)	25,301,399.10	66,082,026.09
Selling expenses	V(53)	14,080,756.77	136,934,171.32
Administrative expenses	V(54)	512,913,683.78	900,958,609.80
Research and development expenses	V(55)	590,364,430.98	557,782,189.67
Finance cost	V(56)	23,823,023.38	144,161,671.01
Including: Interest expenses		155,840,699.34	364,243,854.91
Interest income		253,973,437.90	229,368,563.22
Add: Other income	V(57)	192,630,357.95	10,978,489.85
Investment income (loss expressed with "-")	V(58)	3,857,610,727.86	32,402,655.69
Including: Income from investment in associates and joint ventures		103,150,875.19	11,830,229.89
Derecognition income of financial assets measured at amortised cost			
Exchange gain (loss expressed with "-")			
Net gain on exposure hedging (loss expressed with "-")			
Gain on change in fair value (loss expressed with "-")	V(59)	212,427,890.50	-79,586,877.26
Loss on impairment of credit (loss expressed with "-")	V(60)	48,236,347.81	-16,832,835.84
Loss on impairment of assets (loss expressed with "-")	V(61)	-277,340,070.94	-309,576,180.58
Gains from disposal of asset (loss expressed with "-")	V(62)	-12,675,578.87	-78,454.75
III. Operating profit (loss expressed with "-")		3,608,081,167.74	-1,298,903,861.14
Add: Non-operating income	V(63)	47,747,243.30	2,294,399,430.83
Less: Non-operating expenses	V(64)	4,130,749.57	4,410,835.97
IV. Total profit (total loss expressed with "-")		3,651,697,661.47	991,084,733.72
Less: Income tax expense	V(65)	24,867,464.58	62,538,448.60
V. Net profit (net loss expressed with "-")		3,626,830,196.89	928,546,285.12
(i) By continuity of operations			
1. Net profit from continuing operations (net loss expressed with "-")		430,389,868.30	898,813,529.59
2. Net profit from discontinued operations (net loss expressed with "-")		3,196,440,328.59	29,732,755.53
(ii) By ownership			
1. Net profit attributable to shareholders of the Company (net loss expressed with "-")		3,662,334,382.03	548,320,338.54
2. Gain or loss attributable to minority interests (net loss expressed with "-")		-35,504,185.14	380,225,946.58

CONSOLIDATED INCOME STATEMENT

From January to December 2020

Item	Notes	2020	2019
VI. Net other comprehensive income after tax	V(66)	735,104,537.34	5,901,365.91
(I) Net other comprehensive income after tax attributable to owners of the Company		737,356,668.62	3,920,509.27
1. Other comprehensive income that may not be subsequently reclassified to profit and loss		738,848,479.10	3,577,517.41
(1) Change in remeasurement of defined benefit plans		-308,722.38	-4,538,169.27
(2) Other comprehensive income that may not be reclassified to profit or loss under equity method		-1,977,674.93	
(3) Change in fair value of investments in other equity instruments		741,134,876.41	8,115,686.68
(4) Change in fair value of own credit risk			
2. Other comprehensive income that will be subsequently reclassified to profit or loss		-1,491,810.48	342,991.86
(1) Other comprehensive income that may be reclassified to profit or loss under equity method			
(2) Change in fair value of other debt investments			
(3) Amount included in other comprehensive income on reclassification of financial assets			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedges reserve			
(6) Exchange differences arising from translation of foreign currency financial statements		-1,491,810.48	342,991.86
(7) Others			
(II) Net other comprehensive income after tax attributable to minority interests		-2,252,131.28	1,980,856.64
VII. Total comprehensive income		4,361,934,734.23	934,447,651.03
(I) Total comprehensive income attributable to owners of the Company		4,399,691,050.65	552,240,847.81
(II) Total comprehensive income attributable to minority interests		-37,756,316.42	382,206,803.22
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	V(78)	2.5910	0.3879
(II) Diluted earnings per share (RMB/share)	V(78)	2.5910	0.3879

For business combination under common control for the current period, net profit realized by the acquiree before the combination was RMB0, net profit realized by the acquiree was RMB0 for the last period.

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

INCOME STATEMENT OF THE COMPANY

From January to December 2020

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

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Operating income	XV(39)	110,821,401.70	178,594,000.74
Less: Operating cost	XV(39)	102,936,924.00	168,432,508.85
Taxes and surcharges	XV(40)	5,363,239.05	3,086,392.39
Selling expense	XV(41)	279,731.32	2,303,908.23
Administrative expense	XV(42)	20,325,401.28	33,054,870.36
Research and development expense			
Finance cost	XV(43)	-22,456,495.82	-27,870,266.44
Including: Interest expense		13,724,497.29	25,944,447.57
Interest income		36,198,104.00	53,806,498.36
Add: Other income	XV(44)	104,845.59	158,972.40
Investment income (loss expressed with "-")	XV(45)	1,684,845,922.01	268,645.02
Including: Income from investment in associates and joint ventures		10,852,184.29	2,838,844.99
Derecognition income of financial assets measured at amortised cost			
Net gain on exposure hedging (loss expressed with "-")			
Gain on change in fair value (loss expressed with "-")	XV(46)	2,125,000.00	
Credit impairment loss (loss expressed with "-")	XV(47)	-238,587.61	-413,741.54
Asset impairment loss (loss expressed with "-")	XV(48)	-2,580,564.17	
Gain on disposal of assets (loss expressed with "-")	XV(49)	-12,675,578.87	171,396.31
II. Operating profit (Loss expressed with "-")		1,675,963,638.82	-228,140.46
Add: Non-operating income	XV(50)	46,985.38	937,754.03
Less: Non-operating expenses	XV(51)	37,025.01	600,136.54
III. Total profit (loss expressed with "-")		1,675,963,599.19	109,477.03
Less: Income tax expense	XV(52)	20,531,250.00	
IV. Net profit (Net loss expressed with "-")		1,655,432,349.19	109,477.03
(i). Net profit from continuing operations (net loss expressed with "-")		1,655,432,349.19	109,477.03
(ii). Net profit from discontinued operations (net loss expressed with "-")			
V. Net other comprehensive income after tax		740,005,879.84	
Net other comprehensive income after tax attributable to owners of the company			
(i) Other comprehensive income that may not be subsequently reclassified to profit and loss		740,005,879.84	
1. Change in remeasurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		-2,195,518.19	
3. Change in fair value of investments in other equity instruments		742,201,398.03	
4. Change in fair value of credit risks of own credit risks			
(ii) Other comprehensive income that will be subsequently reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investment			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Provision of credit impairment of other debt			
5. Cash flow hedges reserve			
6. Exchange differences arising from translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		2,395,438,229.03	109,477.03
VII. Earnings per share			
(i) Basic earnings per share			
(ii) Diluted earnings per share			

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED CASH FLOW STATEMENT

From January to December 2020

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

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		12,701,384,937.57	22,690,616,089.82
Net increase in deposits from customers and deposits from other banks		-	-
Net increase in loans from central bank		-	-
Net increase in placements from other financial institutions		-	-
Cash receipts of premium for direct insurance contracts		-	-
Net cash received from reinsurance business		-	-
Net increase in deposits from insurance policy holders and investment		-	-
Cash receipts of interest, fees and commissions		-	-
Net increase in placements from other financial institutions		-	-
Net increase in sales and repurchase operations		-	-
Cash receipts of brokerage for securities trading		-	-
Cash received from tax refund		345,786,752.35	1,077,425,452.52
Other cash receipts relating to operating activities	V(73)	604,464,132.32	2,592,935,993.75
Sub-total of cash inflows from operating activities		13,651,635,822.24	26,360,977,536.09
Cash paid for goods and services		13,050,575,441.50	19,356,192,281.32
Net increase in loans and advances to customers			
Net increase in central bank and interbank deposits			
Cash paid for claims of direct insurance contracts			
Net increase in placements with banks and non-bank financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for dividends of insurance policies			
Cash paid to and on behalf of employees		1,104,648,371.79	2,238,441,280.91
Payments of taxes		79,255,904.78	197,499,866.38
Other cash payments relating to operating activities	V(73)	441,563,525.14	833,290,106.52
Sub-total of cash outflows from operating activities		14,676,043,243.21	22,625,423,535.13
Net cash flows from operating activities		-1,024,407,420.97	3,735,554,000.96
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		2,447,000,680.00	900,000,000.00
Cash receipts from investment income		20,526,297.04	36,541,732.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,423,297.25	749,425.99
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	V(73)	2,573,106,643.15	4,074,104,657.87
Sub-total of cash inflows from investing activities		5,046,056,917.44	5,011,395,816.57
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		455,564,930.47	870,294,161.46
Cash paid for investments		2,285,863,170.41	929,210,860.24
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units		10,706,417.69	990,000.00
Other cash payments relating to investing activities	V(73)	5,764,627,360.28	5,995,598,386.76
Sub-total of cash outflows from investing activities		8,516,761,878.85	7,796,093,408.46
Net cash flows from investing activities		-3,470,704,961.41	-2,784,697,591.89

CONSOLIDATED CASH FLOW STATEMENT

From January to December 2020

Item	Notes	2020	2019
III. Cash flows from financing activities:			
Cash receipts from receiving investments			1,200,000.00
Including: Cash received by subsidiaries from receiving investments made by minority interest			1,200,000.00
Cash receipts from borrowings obtained		4,984,337,446.91	16,262,450,494.07
Other cash receipts relating to financing activities	V(73)	60,000,000.00	253,000,000.00
Sub-total of cash inflows from financing activities		5,044,337,446.91	16,516,650,494.07
Cash paid for repayment of debts		5,339,372,119.50	14,929,331,399.85
Cash paid for dividends, profit distribution or interest expenses		155,521,616.39	377,214,387.52
Including: Dividends and profits paid by subsidiaries to minority interests		568,544.37	
Other cash payments relating to financing activities	V(73)	5,954,257.75	19,067,561.81
Sub-total of cash outflows from financing activities		5,500,847,993.64	15,325,613,349.18
Net cash flows from financing activities		-456,510,546.73	1,191,037,144.89
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-12,500,753.57	4,781,881.94
V. Net increase in cash and cash equivalents		-4,964,123,682.68	2,146,675,435.90
Add: Beginning balance of cash and cash equivalents		10,683,490,790.99	8,536,815,355.09
VI. Ending balance of cash and cash equivalents		5,719,367,108.31	10,683,490,790.99

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CASH FLOW STATEMENT OF THE COMPANY

From January to December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		98,860,549.51	207,869,540.30
Cash received from tax refund		147,240.00	
Other cash receipts relating to operating activities	XV(58)	13,534,293.40	37,823,455.64
Sub-total of cash inflows from operating activities		112,542,082.91	245,692,995.94
Cash paid for goods and services		35,184,730.04	134,448,686.10
Cash paid to and on behalf of employees		12,575,433.39	32,847,172.06
Payments of taxes		17,709,140.15	11,721,247.24
Other cash payments relating to operating activities	XV(58)	68,558,055.65	57,794,426.68
Sub-total of cash outflows from operating activities		134,027,359.23	236,811,532.08
Net cash flows from operating activities		-21,485,276.32	8,881,463.86
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		1,293,831,800.00	47,831,683.24
Cash receipts from investment income		4,051,068.49	86,694.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	XV(58)	884,129,294.61	1,064,538,924.97
Sub-total of cash inflows from investing activities		2,182,012,163.10	1,112,457,302.83
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		61,946.90	300,224,507.17
Cash paid for investments		1,000,000,000.00	
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities	XV(58)	486,201,250.62	1,160,000,000.00
Sub-total of cash outflows from investing activities		1,486,263,197.52	1,460,224,507.17
Net cash flows from investing activities		695,748,965.58	-347,767,204.34
III. Cash flows from financing activities:			
Cash receipts from receiving investments			1,000,000,000.00
Cash receipts from borrowings obtained			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		400,000,000.00	1,000,000,000.00
Cash paid for repayment of debts		13,937,916.67	650,000,000.00
Cash paid for dividends, profit distribution or interest expenses		1,004,937.14	26,030,048.60
Other cash payments relating to financing activities	XV(58)		817,142.81
Sub-total of cash outflows from financing activities		414,942,853.81	676,847,191.41
Net cash flows from financing activities		-414,942,853.81	323,152,808.59
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-538.84	
V. Net increase in cash and cash equivalents		259,320,296.61	-15,732,931.89
Add: Beginning balance of cash and cash equivalents		83,638,189.16	99,371,121.05
VI. Ending balance of cash and cash equivalents		342,958,485.77	83,638,189.16

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

From January to December 2020

Unit: Yuan Currency: RMB

Item	2020															
	Equity attributable to shareholders of the Company															
	Other equity instruments															
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Others	Sub-total	Minority interests	Total equity
I. Ending balance of last year	1,413,506,376.00				9,418,941,779.55			-41,694,917.30	443,910.04	982,462,773.01		-1,605,393,084.53		10,146,256,838.77	5,399,466,849.10	15,547,723,687.87
Add: Changes in accounting policies																
Correction of previous errors																
Business combination under common control																
Others																
II. Beginning balance of the year	1,413,506,376.00				9,418,941,779.55			-41,694,917.30	443,910.04	982,462,773.01		-1,605,393,084.53		10,146,256,838.77	5,399,466,849.10	15,547,723,687.87
Increase/(decrease) for the year																
(Decrease expressed with "+")																
(i) Total comprehensive income																
(ii) Capital paid in and reduced by shareholders																
1. Ordinary shares paid by shareholders																
2. Capital paid by holders of other equity instruments																
3. Amount of share-based payments recognized in owners' equity																
4. Others																
(iii) Profit distribution																
1. Transfer to surplus reserve									-686,223.06	-6,292,683.89				-116,097,655.75	-2,242,180,580.82	-2,358,278,236.27
2. Transfer to provision for general risks										79,792,823.53		-79,792,823.53			-588,544.37	-588,544.37
3. Distribution to owners (or shareholders)										79,792,823.53		-79,792,823.53				
4. Others																
(iv) Transfer within owners' equity																
1. Capitalization of capital reserve (or share capital)								3,266,682.58								
2. Capitalization of surplus reserve (or share capital)																
3. Loss offset by surplus reserve																
4. Transfer to retained earnings arising from change in defined benefit plans																
5. Transfer from other comprehensive income to retained earnings																
6. Others																
(v) Special reserve																
1. Transfer in the year									241,313.02					241,313.02	89,288.25	330,598.27
2. Utilization in the year									21,916,322.60					21,916,322.60	17,628,069.82	38,944,392.42
(vi) Others																
1. Transfer in the year																
2. Utilization in the year																
IV. Ending balance of the year	1,413,506,376.00				9,308,822,080.75			689,020,433.90	0.00	1,085,862,912.65		1,973,780,791.39		14,432,091,546.69	3,119,050,091.04	17,551,142,227.73

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

From January to December 2020

Unit: Yuan Currency: RMB

Item	Equity attributable to shareholders of the Company										Minority interests	Total equity
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Other comprehensive income	Less: Treasury shares	Capital reserve	Surplus reserve	Provision for general risks	Undistributed profit	Others		
I. Ending balance of last year	1,413,505,376.00			-45,615,426.57		95,693,880,748.34	982,441,825.31		2,153,702,475.37	9,727,457,689.21	4,628,972,658.86	14,356,410,548.07
Add: Changes in accounting policies												
Correction of previous errors												
Business combination under common control												
Others												
II. Beginning balance of the year	1,413,505,376.00			-45,615,426.57		95,693,880,748.34	982,441,825.31		2,153,702,475.37	9,727,457,689.21	4,628,972,658.86	14,356,410,548.07
III. Increase/(decrease) for the year (Decrease expressed with "-")				3,920,509.27		-130,638,868.79	10,947.70	546,309,300.84	546,309,300.84	420,819,149.56	770,493,990.24	1,191,313,139.80
(i) Total comprehensive income				3,920,509.27				546,309,300.84	546,309,300.84			
(ii) Capital paid in and reduced by shareholders						-130,638,868.79						
1. Ordinary shares paid by shareholders												
2. Capital paid by holders of other equity instruments												
3. Amount of share-based payments recognized in owners' equity												
4. Others												
(iii) Profit distribution						2,158,491.35	10,947.70	-10,947.70	-10,947.70	2,158,491.35	387,249,448.38	389,407,699.73
1. Transfer to surplus reserve							10,947.70					
2. Transfer to provision for general risks							10,947.70					
3. Distribution to owners (or shareholders)												
4. Others												
(iv) Transfer within owners' equity												
1. Capitalization of capital reserve (or share capital)												
2. Capitalization of surplus reserve (or share capital)												
3. Loss offset by surplus reserve												
4. Transfer to retained earnings arising from change in defined benefit plans												
5. Transfer from other comprehensive income to retained earnings												
6. Others												
(v) Special reserve												
1. Transfer in the year												
2. Utilisation in the year												
(vi) Others												
IV. Ending balance of the year	1,413,505,376.00			-41,694,917.30		94,154,941,779.55	992,482,773.01	-1,005,930,094.53		10,142,256,638.77	5,359,486,048.10	15,547,723,687.87

Head of accounting department:
Xie Weihong

Person in charge of accounting:
Hou Zengquan

Legal representative:
Han Guangde

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

From January to December 2020

Unit: Yuan Currency: RMB

Item	2020										
	Part-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: Other comprehensive income	Special reserve	Surplus reserve	Unistributed profit	Total equity
I. Ending balance of last year	1,413,506,378.00				6,147,927,729.10				472,881,889.15	721,076,162.84	8,755,192,159.09
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,413,506,378.00				6,147,927,729.10				472,881,889.15	721,076,162.84	8,755,192,159.09
III. Increase/Decrease for the year (Decrease expressed with "-")					2,288,146,840.47		788,114,305.04		79,792,823.53	-2,940,751.10	3,103,113,217.94
(i) Total comprehensive income					2,288,146,840.47		740,005,879.84		1,655,432,349.19		2,395,436,229.03
(ii) Capital paid in and reduced by shareholders							-1,891,574.80			-1,578,580,276.76	707,674,988.91
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amount of share-based payments recognised in owners' equity											
4. Others					2,288,146,840.47		-1,891,574.80			-1,578,580,276.76	707,674,988.91
(iii) Profit distribution									79,792,823.53	-79,792,823.53	
1. Transfer to surplus reserve									79,792,823.53	-79,792,823.53	
2. Distribution to owners (or shareholders)											
3. Others											
(iv) Transfer within owners' equity											
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
Others											
(vi) Ending balance of the year	1,413,506,378.00				8,436,074,569.57		788,114,305.04		552,474,712.68	718,135,411.74	11,858,305,377.03

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

From January to December 2020

Unit: Yuan Currency: RMB

Item	2019							Total equity			
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Other equity instruments	Capital reserve	Treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Unistributed profit
I. Ending balance of last year	1,413,506,378.00				6,147,927,729.10				472,670,941.45	720,977,633.51	8,755,082,682.06
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,413,506,378.00				6,147,927,729.10				472,670,941.45	720,977,633.51	8,755,082,682.06
III. Increase/Decrease for the year (Decrease expressed with "-")									10,947.70	96,529.33	109,477.03
(i) Total comprehensive income											
(ii) Capital paid in and reduced by shareholders											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amount of share-based payments recognised in owners' equity											
4. Others											
(iii) Profit distribution									10,947.70	-10,947.70	
1. Transfer to surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(iv) Transfer within owners' equity									10,947.70	-10,947.70	
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
Others											
IV. Ending balance of the year	1,413,506,378.00				6,147,927,729.10				472,681,889.15	721,076,162.84	8,755,192,159.09

Legal representative:
Han Guangde

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

I. BASIC INFORMATION ON THE COMPANY

CSSC Offshore & Marine Engineering (Group) Company Limited (the “Company”, together with its subsidiaries, the “Group”), formerly known as Guangzhou Shipyard International Company Limited, is a joint-stock company with limited liability independently established by Guangzhou Shipyard in 1993 as approved by Guo Jia Ti Gai Sheng [1993] No. 83. On 5 July 1993, it was converted into a public joint-stock company with limited liability as approved by Guo Jia Ti Gai Sheng [1993] No. 110. The Company was established on 7 June 1993, with its registered address at 15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou and its headquarters located at 15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou.

As approved by Circular (1993) No.31 issued by the China Securities Regulatory Commission, Zheng Jian Fa Shen (1993) No.26 issued by the China Securities Regulatory Commission and Circular Shang Zheng Shang (1993) No.2076 issued by the Shanghai Stock Exchange, the Company publicly issued 337,279,600 A shares on 22 September 1993 which became listed on the Shanghai Stock Exchange on 28 October 1993, and publicly issued 157,398,000 H shares on 21 July 1993, which became listed and traded on The Stock Exchange of Hong Kong Limited on 6 August 1993. Its total share capital following public offering amounted to 494,677,600 shares.

Pursuant to the annual general meeting of 2010 and revised Articles of Association of the Company, the Company’s paid-up capital (share capital) transferred from capital reserves increased by RMB148,403,274, and relevant procedures of H shares and A shares were completed on 15 July 2011 and 19 July 2011, respectively. The registered capital was therefore increased to RMB643,080,854.

Based on the approval for Guangzhou Shipyard International Company Limited to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company completed on 11 February 2014 the issuance of 345,940,890, 31,134,680 and 10,378,227 H Shares with face value of RMB1 per share to CSSC (Hong Kong) Shipping Company Limited (“CSSC HK”), Baosteel Resources International Co., Ltd. (“Baosteel International”) and China Shipping (H.K.) Holdings Co., Ltd. (“China Shipping HK”), respectively. All issued shares are ordinary shares, and the registered capital has been therefore increased to RMB1,030,534,651.

According to the Replies on Approval of 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 (Zheng Jian Xu Ke [2015] No. 330) issued by the China Securities Regulatory Commission, on 8 April 2015, the Company placed 272,099,300 ordinary shares of RMB1 each to China State Shipbuilding Corporation Limited (“CSSC”) for purchase of CSSC’s 85% equity interest in CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”) and paid cash to CSSC for acquisition of 15% equity interest in Huangpu Wenchong; placed 68,313,338 ordinary shares of RMB1 each to Yangzhou Kejin Shipyard Co., Ltd. for purchase of its relevant shipbuilding assets; and placed 42,559,089 ordinary shares of RMB1 each to 7 specific investors. The registered capital upon change is RMB1,413,506,378.00.

On 8 May 2015, a resolution on change of the name of the Company was considered and passed at the first extraordinary general meeting of the Company for 2015, and the name of the Company was changed to “CSSC Offshore & Marine Engineering (Group) Company Limited” from “Guangzhou Shipyard International Company Limited”.

On 29 December 2015, the Company received a new business license issued by Guangzhou Administration for Industry and Commerce (uniform social credit code: 91440101190499390U), with legal representative as Han Guangde and registered capital of RMB1,413,506,378.00.

The Company is engaged in the manufacturing of equipment for railways, ships, aerospace and other transportation facilities, and its scope of business is metal shipbuilding; marine equipment manufacturing; container manufacturing; metal structures manufacturing; metal pressure vessel manufacturing; mechanical parts processing; tempered glass manufacturing; cutting tool manufacturing; other furniture manufacturing; ship maintenance; general equipment repairs; engineering survey and design; machinery technology transfer services; interior decoration and design; water transport equipment rental services; container leasing services; machinery and equipment leasing; construction general contracting services; overseas dispatch of all kinds of labour service personnel (excluding seamen); provision of docks, barge anchorages, floats and other facilities for ships.

The Company’s controlling shareholder is CSSC which is a wholly state-owned company incorporated in the PRC, while the ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

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The scope of consolidation of the Group's consolidated financial statements is determined on a control basis. The scope includes consolidated financial statements of the Group include the Company and its 12 subsidiaries, including: CSSC Huangpu Wenchong Shipbuilding Company Limited ("Huangpu Wenchong"), Guangzhou Huangchuan Ocean Engineering Co. Ltd ("Huangchuan Ocean Engineering"), Zhanjiang Nanhai Ship Hi-Tech Services Ltd. ("Zhanjiang Nanhai"), Guangzhou Xinhang Human Resources Service Co., Ltd. ("Xinhang"), Guangzhou Wenchong Shipyard Co. Ltd. ("Wenchong Shipyard"), Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd. ("Wenchong Bingshen"), Guangzhou Wenchuan Heavy Industrial Co. Ltd. ("Wenchuan Industrial"), Guangzhou Xingji Maritime Engineering Design Co., Ltd. ("Xingji"), Wah Shun International Marine Limited ("Wah Shun"), Wah Loong International Marine Limited ("Wah Loong"), CSSC (Guangzhou) New Energy Co., Ltd. ("CSSC New Energy"), and CSSC Industrial Internet Co., Ltd. ("CSSC Internet").

For details of the changes in the scope of the consolidated financial statements during the year, see "Note VI, Changes in the Scope of Consolidation".

II. 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 issued by the Ministry of Finance of the PRC, (hereinafter referred to as the "Accounting Standards for Business Enterprises"), and No. 15 of regulations on information disclosures of companies that issue public offering shares – General Rules of preparing financial reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), the applicable disclosures required by regulations of 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 III. Significant Accounting Policies and Estimation to this note.

(2) Going Concern

The management of the Company has assessed its ability to operate on a continuing basis for the 12 months from 31 December 2020 and is of the view that its existing financial position should be sufficient to meet the production and operation of the Group. As such, these financial statements are prepared on a going concern basis.

(3) Accounting basis and pricing principles

The Group's accounting is based on the accrual basis. Except for certain financial instruments, this financial statement adopts historical cost as the measurement basis. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with relevant regulations.

Under historical cost measurement, assets are measured according to the amount of cash or cash equivalents paid at the time of purchase or the fair value of the consideration paid. Liabilities are measured in accordance with the amount of money or assets actually received as a result of assuming current obligations, or the contract amount for assuming current obligations, or the amount of cash or cash equivalents expected to be paid in daily activities to repay the liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Notes on specific accounting policies and accounting estimates: The Group adopts accounting policies and accounting estimates based on the features of its own production and operation, which cover the recognition and measurement of provision for bad debts for receivables, measurement of inventories delivered, methods for classification and depreciation of fixed assets, amortisation of intangible assets, amortisation of long-term prepaid expenses, and recognition and measurement of revenue.

1. Statement of compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

3. Operating cycle

The Group's operating cycle is 12 months.

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

4. Reporting currency

The Company and its domestic subsidiaries adopt RMB as the reporting currency. The Company's foreign subsidiaries determine their reporting currency based on the currency of the primary economic environment in which they operate. The currency adopted by the Group to prepare this financial statement is Renminbi ("RMB").

5. Business combinations under and not under common control

Business combinations are divided into business combination under common control and business combination not under common control.

1. Business combination under common control

A business combination under common control is one in which the enterprises participating in the combination are under the ultimate control of the same party or the same multiple parties before and after the combination, and such control is not temporary.

The assets and liabilities obtained by the Group (as the acquirer) by business combination under common control, are measured at the carrying amounts as recorded by the enterprise being combined at the date of combination in the consolidated financial statements of the ultimate controller. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. Intermediary fees such as auditing, legal services, appraisal and consulting, and other related administrative expenses incurred by the acquirer for the business combination are charged to the current profit or loss when incurred.

2. Business combination that are not under common control and goodwill

A business combination in which the enterprises involved in the combination are not under the ultimate control of the same party or the same multiple parties before and after the combination is a business combination that are not under common control.

The cost of the combination is the fair value of cash or non-cash assets paid, liabilities incurred or assumed, and equity instruments issued by the Group to obtain control over the acquiree at the date of purchase. Intermediary costs incurred by the acquirer for the business combination, such as audit, legal services, appraisal and consulting, and other related administrative expenses, are charged to the current profit or loss when incurred.

For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination under common control are measured at fair value. Goodwill is recognised in the consolidated financial statements by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree acquired, firstly, fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities have to be reviewed. The excess of the fair value of net identifiable assets of the acquiree acquired over the cost of business combination will be recognised as the non-operating revenue in the consolidated financial statements after review.

The goodwill formed by business combinations is presented separately in the consolidated financial statements, and is measured at the cost after deducting the accumulated impairment provision.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on a control basis. Control means that the Group has power over the investee, enjoys variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its returns. The Group reassesses the definition of control as described above once relevant facts and circumstances have changed resulting in a change in the relevant elements involved in the definition of control.

The consolidation of a subsidiary commences when the Group obtains control of the subsidiary and ends when the Group loses control of such subsidiary.

For subsidiaries disposed of by the Group, the results of operations and cash flows prior to the date of disposal (the date of loss of control) have been appropriately included in the consolidated income statement and the consolidated statement of cash flows.

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For subsidiaries acquired through business combination under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements since the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existed since the ultimate controller started control.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, shall be regarded as the ultimate controller started the control and adjustment was made under current status. When preparing comparative financial statements, time limit is the time not earlier than the Group and the acquiree are both under the control of ultimate controller, related assets and liabilities of the acquiree shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets increased due to combination adjusted related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the acquiree, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the acquiree are under the same control, whichever is later, to the date of combination, the related profit or loss recognised, other comprehensive income and other change in net assets, shall be written off retained earnings at the beginning of the comparative period and profit or loss for current period.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statements since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee not under common control and finally become business combination, when preparing consolidated financial statements, for shareholding of the acquiree which was holding before the date of acquisition, have to be re-measured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, are changed to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

If the accounting policy or the accounting period adopted by any subsidiary differs from that adopted by the Group in preparation of the consolidated financial statements, necessary adjustments should be made to the subsidiary's financial statements according to the Group's accounting policy or accounting period.

All material internal transactions, balance of current accounts and unrealized profits in the consolidation scope should be offset in preparation of the consolidated statements.

The part not attributable to the parent company in the owners' equity of the subsidiary, current gains/losses, other consolidated income and the part attributable to minority interests in the total consolidated revenue should be respectively listed under "minority interests, minority losses and gains, other consolidated revenue attributable to minority shareholders and total consolidated revenue attributable to minority shareholders" in the consolidated financial statements.

The balance of the minority's share of losses of a subsidiary in excess of the minority's share of the subsidiary's ownership interest at the beginning of the year is still eliminated to reduce the minority's equity.

For the purchase of minority interest in a subsidiary, the transaction is accounted for as an equity transaction, and the book value attributable to the Company's ownership interest and minority interest is adjusted to reflect the change in its related interest in the subsidiary. The difference between the adjustment to minority interests and the fair value of the consideration paid is adjusted to capital surplus, and in case the capital reserve is insufficient for offset, retained earnings will be adjusted.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

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When the Group loses control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be re-measured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets of the subsidiary calculated from the date of acquisition or combination according to the original shareholding proportion, is included into the investment profit or loss of loss of control for current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loses control through disposal of shareholding in subsidiaries belongs to a series of transactions, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary, shall be recognised as other comprehensive income, and transfer to investment profit or loss of loss of control for current period upon loss of control.

7. Classification of joint arrangement and accounting method for joint operation

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, recognises assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assumes in proportion, and related income and fees will be recognised according to the related agreed individual or in proportion of assets and liabilities. For assets transactions that are purchased or sold under joint operation that do not constitute business, assets and liabilities are recognised only when profit or loss incurred from that transaction attributable to the other parties under the joint operation.

The Group's investments in joint ventures and associates are accounted for by the equity method, see Long-term equity investments accounted for under the equity method.

8. Cash and cash equivalents

Cash in the cash flow statement of the Group represents the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

9. Foreign currency transactions and translation of foreign currency financial statements

1. Foreign currency transaction

When the Group translates the total revenue from foreign currency contracts, the amount to be converted into RMB at the spot exchange rate on the date of transfer of control if the accounting is performed at a certain point in time; the amount to be converted into RMB if the accounting is performed at a certain point in time includes the amounts received and uncollected, of which: the foreign currency received shall be translated at the amount of the reporting currency determined at the time of collection; the foreign currency uncollected shall be translated at the spot exchange rate (mid-rate) on the date of revenue recognition translated. When the Group tests the impairment of foreign currency sales contracts, the portion of the uncollected foreign currency revenue for which the exchange rate has been locked in using hedging instruments is translated at the locked-in exchange rate, and the portion for which the exchange rate has not been locked in is translated at the bank forward quotation rate. For transactions other than those mentioned above, the Group's foreign currency transactions are translated into RMB amounts at the spot exchange rate on the date of the transaction.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rate at the balance sheet date. The resulting translation differences are recognized directly in profit or loss for the current period, except for exchange differences arising from special borrowings in foreign currencies for the purpose of acquiring or producing assets eligible for capitalisation, which are treated in accordance with the principle of capitalisation. Non-monetary items measured in terms of historical cost in foreign currencies continue to be measured at the amount in the functional currency of account translated at the spot rate on the date of the transaction. Non-monetary items measured at fair value in foreign currencies are translated using the spot exchange rate at the date when the fair value was determined. The difference between the translated amount in the carrying amount in the functional currency and the original amount in the functional currency is treated as a change in fair value (including exchange rate changes) and recognized in profit or loss or other comprehensive income for the current period.

2. Translation of foreign currency financial statements

For the Group's foreign operations, the Group prepares its financial statements by translating the functional currency of accounts into RMB: assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; all items in the owner's equity category, except for "undistributed earnings", are translated at the spot exchange rate at the time of the transaction; income and expense items in the income statement are translated at the average of the spot exchange rates at the beginning and end of the year. The income and expense items in the income statement are translated at the average of the spot exchange rates at the beginning and end of the year. The translation differences arising from the above translation are recognized as other comprehensive income. Upon disposal of a foreign operation, the translation differences related to the foreign currency statement are transferred to profit or loss in the year of disposal, or partially disposed of in proportion to the disposal.

Cash flows in foreign currencies and cash flow items from foreign operations are translated at the average of the spot exchange rates at the beginning and end of the year. The amount of the effect of exchange rate changes on cash is presented separately in the statement of cash flows.

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10. Financial instruments

When the Group becomes a party in the financial instrument contract, a financial asset or financial liability will be recognised.

1. Financial assets

(1) Classification of financial assets, basis of recognition and method of measurement

Based on the business model under which the Group manages assets and the characteristics of contractual cash flows of financial assets, the Group divides financial assets into financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Group classifies financial assets meeting both of the following conditions into financial assets at amortised cost: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and the relevant transaction expenses are included in the initially recognised amount; they are subsequently measured at amortised cost. Except for those designated as hedging items, the difference between the initial amount and the due amount shall be amortised according to the effective interest rate method, and the amortisation, impairment, exchange gains and losses as well as gains or losses arising from derecognition shall be included in profit or loss.

The Group classifies financial assets meeting both of the following conditions into financial assets at fair value through other comprehensive income: (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and the relevant transaction expenses are included in the initially recognised amount. Except for those designated as hedging items, other gains or losses arising from such financial assets are included in other comprehensive income, other than credit impairment losses or gains, exchange gains or losses and interest of such financial assets calculated using the effective interest rate method. Upon derecognition of financial assets, accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to profit or loss.

The Group recognises interest income using the effective interest rate method. Interest income is determined by multiplying the book balance of financial assets by the actual interest rate, except: (i) For the purchased or internally generated credit-impaired financial assets, the Group recognises interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition. (ii) For the purchased or internally generated financial assets without credit impairment but subsequently becoming credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets.

The Group designates equity instruments not held for trading as financial assets at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. Equity instruments not held for trading of the Group designated as at fair value through other comprehensive income are initially measured at fair value, and the relevant transaction costs are included in the initially recognised amount. Except for dividends received (other than the recovered part of investment cost) which are included in profit or loss, other related gains or losses (including exchange gains or losses) are included in other comprehensive income and shall not be subsequently transferred to profit or loss. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred to retained earnings from other comprehensive income.

Financial assets other than the above financial assets classified as at amortised cost and financial assets classified as at fair value through other comprehensive income, the Group classifies them as financial assets at fair value through profit or loss. Such financial assets are initially measured at fair value, and the relevant transaction costs are directly included in profit or loss. Gains or losses on such financial assets are included in profit or loss.

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(2) Basis for recognition and measurement method of transfer of financial assets

The Group derecognises financial assets if any of the following conditions is met: (1) the right to receive cash flows from the financial asset expires, (2) the financial asset has been transferred and the Group has transferred substantially all risks and rewards relating to the financial asset to the transferee, (3) the financial asset has been transferred to the transferee, and the Group has not transferred or retained substantially all risks and rewards relating to the financial asset, nor does it maintain the control over the financial asset.

In case the overall transfer of the financial asset meets the criteria for de-recognition, the difference between the carrying amount of financial asset being transferred and the sum of the consideration received as a result of the transfer and the part of derecognised part in the accumulated changes in fair value which were previously directly included in other comprehensive income (the contractual terms of the financial asset involved in transfer provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal) is charged to profit or loss.

In case where the transfer of only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions to be derecognized and the portion that continued to be recognised according to their relative fair value. The difference between the sum of the amount of consideration received for the transfer and the amount corresponding to the derecognised part of the accumulated changes in fair value which were previously included in other comprehensive income (the contractual terms of the financial asset provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal) and the aforesaid allocated overall carrying amount of the financial asset is charged to profit or loss.

2. Financial liabilities

(1) Classification of financial liabilities, recognition basis and measure method

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities on initial recognition.

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated at fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The Group classifies financial liabilities into financial liabilities at amortised cost, save for the following: (i) financial liabilities at fair value through profit or loss, including financial liabilities held-for-trading (including derivatives within the scope of financial liabilities) and financial liabilities designated at fair value through profit or loss. (ii) financial liabilities arising from the transfer of financial assets which do not meet the conditions for derecognition or the continued involvement in the transferred financial assets. (iii) financial guarantee contracts not falling under (i) or (ii) above, and loan commitments at a rate lower than market rate not falling under (i) above.

(2) Conditions for derecognition of financial liabilities

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Group and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made by the Group to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognised. And financial liabilities after term revision will be recognised as a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss for the period.

(3) Method for determination of fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities of the Group are measured by fair values of principal market to calculate fair values of financial assets and financial liabilities of the Group. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs used for fair value measurement are divided into three levels. Level 1 input is the unadjusted offer of the same asset or liability that is available on the measurement day in the active market; level 2 input is the input value that can be observed directly or indirectly of the relevant asset or liability other than those in level 1; level 3 input is the unobservable input of the relevant asset or liability. The Group uses level 1 inputs first and level 3 inputs last. In measuring fair value using valuation techniques, the Group uses level 1 inputs for the shares of listed companies held, level 2 inputs for forward exchange contracts, and level 3 inputs for investments in other equity instruments in non-listed companies. The level of the fair value measurement is determined by the lowest level of the input value which is of great significance to the whole of the fair value measurement.

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(4) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities of the Group are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied: (1) the Group currently has a legally enforceable right to set off the recognised amounts; and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Distinction between financial liabilities and equity instruments and related treatment methods

The Group distinguishes between financial liabilities and equity instruments according to the following principles: (1) If the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions. (2) If a financial instrument must or may be settled with the Group's own equity instrument, it shall be taken into account whether the Group's own equity instrument used for settling the instrument is the substitute of cash or other financial assets, or is used to entitle the instrument holder with the remaining equity in the assets of the issuer after netting of all the liabilities. In the former case, this instrument is the financial liability of the issuer, while in the latter case, it is the equity instrument of the issuer. In some cases, a financial instrument contract requires the Group to settle the financial instrument with its own equity instrument, where the amount of contractual rights or contractual obligations equals the number of equity instruments available or to be delivered multiplied by its fair value on settlement. The contract is classified as a financial liability, regardless of whether the amount of the contractual rights or obligations is fixed or is based, in whole or in part, on changes in variables (for example, interest rate, prices of certain goods or certain financial instrument) other than the market price of the Group's own equity instruments.

When the Group classifies financial instruments (or their components) in a consolidated statement, it considers all the terms and conditions between the Group's members and the holders of financial instruments. If the Group as whole entity assumes the obligation to deliver cash, other financial assets or other obligations causing the instrument to be settled as a financial liability, the instrument shall be classified as a financial liability.

Where a financial instrument or a component thereof is a financial liability, the Group includes the relevant interest or (dividends), gains or losses and the gains or losses arising from redemption or refinancing in profit or loss.

Where a financial instrument or a component thereof is an equity instrument, the Group's issuance (including refinancing), repurchase, sale or cancellation is treated as a change in equity and does not recognise changes in the fair value of the equity instrument.

11. Accounts receivable

For the Group's receivables which arise from transactions regulated by the "Accounting Standards for Business Enterprises No. 14 – Revenue Standards" and which do not contain significant financing components, their loss allowance is always measured at the amount of the expected credit losses for the lifetime.

Measurement of expected credit losses. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages.

The Group calculates the expected credit loss of notes and accounts receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current provision for impairment of other receivables, the Group recognises the difference as impairment losses of notes and accounts receivable, and it will debit "credit impairment loss" and credit "provision for bad debts". Otherwise, the Group recognises the difference as an impairment gain and makes the opposite accounting record.

If the Group incurs credit impairment and determines that the relevant notes and accounts receivable are unrecoverable, subject to the approval for writing off, it will debit "provision for bad debts" and credit "notes receivable" or "accounts receivable" based on the approved amount for writing-off. If the written-off amount is greater than the loss allowance made, the "credit impairment loss" is debited for the difference.

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1. Method of determination of expected credit loss of notes receivable and accounting treatment methods

For notes receivable obtained by the Group, if the maturity date of the notes is within one year and the Group determines that there is no difference between the cash flows of the notes receivable and the cash flows expected to be received for the notes receivable, no provision for impairment is recognised for the notes receivable. If the maturity date of the notes exceeds one year, the Group recognises expected credit loss of notes receivable and make provision for bad debts based on the difference between the carrying amount of the notes receivable and the present value of the cash flows expected to be received for the notes receivable.

2. Method of determination of expected credit loss of accounts receivable and accounting treatment methods

According to the common risk characteristics of the borrower type and date of initial recognition, the Group classifies accounts receivable, considers whether credit risk has significantly increased on a collective basis and determines expected credit loss.

- (1) For the receivables from related party, government and utility receivables of the Group without indication of impairment, the Group determines that no expected credit loss exists and no provision for bad debts is made.
- (2) The Group performs separate impairment tests for those receivables for which there is an indication of impairment, as well as for other receivables for which individual tests are applicable, and determine expected credit loss and make provision for bad debts based on the difference between the carrying amount of the accounts receivable and the present value of the cash flows expected to be received.
- (3) For the accounts receivable which have not been tested individually, based on the actual credit loss for previous years and considering forwarding information for the year, the Group determines the default loss ratio (see the table below), and determines the expected credit loss of accounts receivable and makes provision for bad debts based on the default loss ratio.

Ageing	Estimated default loss rate on accounts receivable (%)
0-6 months (6 months inclusive)	0
6 months- 1 year (1 year inclusive)	0.5
1 year- 2 years (2 years inclusive)	10
2 years- 3 years (3 years inclusive)	30
2 years- 5 years (5 years inclusive)	80
over 5 years	100

12. Other receivables

Method of determination of expected credit loss of other receivables and accounting treatment methods:

The Group measures loss allowance for other receivables according to the following circumstances: (i) the Group measures loss allowance for the financial assets the credit risk of which has not significantly increased since initial recognition based on the amount of expected credit loss for the next 12 months; (ii) the Group measures loss allowance for the financial assets the credit risk of which has significantly increased since initial recognition based on the amount of expected credit loss during the lifetime of the financial instrument; (iii) the Group measures loss allowance for the financial assets which have been credit-impairment since purchase or origination based on the amount of expected credit loss during the lifetime of the financial assets.

Assessment on a collective basis. For other receivables, the Group cannot obtain sufficient evidence of significant increase in credit risk at a reasonable cost at the level of individual instruments, and it is feasible to evaluate whether credit risk increases significantly on a collective basis. Therefore, the Group classifies other receivables according to the type of borrowers and date of initial recognition as a common risk characteristic and considers whether credit risk increases significantly on a collective basis.

- (1) For other receivables from related parties, outstanding deposits and security deposits, retained reserve and employee loans, other receivables from government and institutions without indication of impairment, the Group determines that no expected credit loss exists and no provision for bad debts is made.
- (2) The Group performs separate impairment tests for other receivables for which there is an indication of impairment, as well as for other receivables for which individual tests are applicable, and determine expected credit loss and make provision for bad debts based on the difference between the carrying amount of other receivables and the present value of the cash flows expected to be received for other receivables.

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3. For other receivables which have not been tested individually for impairment, based on the actual credit loss for previous years and considering forwarding information for the year, the Group determines the default loss ratio (see the table below), and determines the expected credit loss of other receivables and make provision for bad debts based on the default loss ratio.

Ageing	Estimated default loss rate on other receivables (%)
0-6 months (6 months inclusive)	0
6 months- 1 year (1 year inclusive)	0.5
1 year- 2 years (2 years inclusive)	10
2 years- 3 years (3 years inclusive)	30
2 years- 5 years (5 years inclusive)	80
over 5 years	100

13. Inventories

1. Classification of inventories

The inventories of the Group mainly include raw materials, work in progress, turnover material, finished goods, goods in transit and costs to fulfil a contract, etc..

Inventories are initially measured at cost, which includes the cost of purchase, processing costs and other expenses incurred in bringing the inventories to their present location and condition.

2. Valuation method of inventory delivered

When inventories are delivered, the actual cost is determined using the weighted-average method or the first-in, first-out method. For inventories that cannot be substituted for use or purchased or manufactured specifically for a particular project, the Company uses the individual valuation method to determine the cost of inventories delivered. Turnover materials include low-value consumables and packaging materials. Low-value consumables and packaging materials are amortized using the one-time reversal method.

3. Basis for determining the net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. In determining the net realizable value of inventories, the determination is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of post-balance sheet events.

The net realisable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. The net realisable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes. The estimated selling price should be the most reliable estimate of the selling price obtained at the balance sheet date. A provision for decline in value of inventories is made when its net realizable value is lower than its cost.

For inventories with large quantities and low unit prices, provision for inventory value decline is made by inventory category; for inventories that are related to product lines manufactured and sold in the same region, and have the same or similar end use or purpose, and are difficult to measure separately from other items, provision for inventory value decline is made on a consolidated basis; for other inventories, provision for inventory value decline is made for the difference between the cost of individual inventory items and their net realizable value.

After the provision for inventory value decline is made, if the factors affecting the previous write-down of inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its carrying value, the provision for inventory value decline is reversed within the amount originally provided for, and the reversed amount is recognized in profit or loss for the current period.

4. Inventory system

The Group maintains a perpetual inventory system.

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14. Long-term equity investments

Long-term equity investments of the Group are the investments in subsidiaries and investment in associates and investment in joint ventures.

1. *Judgement criteria for common control that have significant influence*

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are in control of such arrangement.

When the Group directly or indirectly throughout its subsidiary owns 20% (inclusive) or more but less than 50% shares with voting rights in the investee, it is generally considered that the Group has significant influence on the investee. For voting rights less than 20% in the investee, the board or representative in similar authority in the investee or the implementation processes of financial or operation policies of investee have also been taken into account, or significant transaction with the investee, or management personnel send to the investee, or significant technology information provided to the investee which have significant influence to the investee.

2. *Determination of initial investment cost*

(1) *Long-term equity investments acquired through business combinations under common control*

For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree which is negative on the date of combination, investment cost of long-term equity investment is calculated as zero.

For equity interests in investees under common control acquired in a series of transaction which constitute business combination, in case of a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not fall under a series of transactions, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements of the ultimate controller, and accounted as the initial investment cost of long-term equity investment on the date of combination.

(2) *Long-term equity investments acquired through business combinations not under common control*

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

For equity interests in investees not under common control acquired in a series of transaction which constitute business combination, in case of a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not belong to a series of transaction, initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method.

(3) *Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the contract or agreement.*

3. *Subsequent measurement and recognition method of profit or loss*

(1) *Long-term equity investments accounted for under the cost method*

The Group's investments in subsidiaries are accounted for using the cost method and are measured at the initial investment cost. The cost of long-term equity investments is adjusted when the investment is increased or recovered. Cash dividends or profits declared by the investee are recognized as investment income for the period in accordance with the amount to which they are attributable.

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(2) Long-term equity investments accounted for under the equity method

The Group accounts for its investments in joint ventures and associates using the equity method.

When the equity method of accounting is adopted, if the initial investment cost of a long-term equity investment is higher than the share of the fair value of the identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investment is not adjusted; if the initial investment cost is less than the share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted.

Under the equity method of accounting, investment income and other comprehensive income are recognized in accordance with the investee's share of net profit or loss and other comprehensive income, respectively, and the carrying value of long-term equity investments is adjusted; the carrying value of long-term equity investments is reduced accordingly to the extent of the investee's share of profits or cash dividends declared by the investee. For changes in the ownership interest of the investee other than net profit or loss, other comprehensive income and profit distribution, the carrying value of the long-term equity investment is adjusted and recognized as capital surplus. The share of net profit or loss of the investee is recognized on the basis of the fair value of the investee's identifiable assets at the time of acquisition, in accordance with the Group's accounting policies and accounting periods, and after offsetting the portion of the gain or loss from internal transactions with associates and joint ventures that is attributable to the investee in proportion to the shareholding, and after adjusting the net profit of the investee.

In recognizing the share of net loss incurred by an investee, the carrying value of long-term equity investments and other long-term interests that substantially constituting a net investment in the investee are written down to zero. In addition, if the Group has an obligation to assume additional losses of the investee, an estimated liability is recognized for the expected obligation assumed, which is included in the current investment loss. If the investee achieves net profit in subsequent periods, the Group resumes recognition of revenue sharing after the revenue sharing amount makes up for the unrecognized loss sharing amount.

(3) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period.

For long-term equity investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Group loss control in the investee due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal of will be accounted for recognition and measurement standard for financial instruments, difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for current period. Other comprehensive income recognised in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the investee directly disposing related assets or liabilities.

For loss of control in the investee due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the investee after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for-sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

The transactions from the step-by-step disposal of equity to the loss of controlling equity do not fall under a series of transactions, therefore, the Group shall separately carry out accounting treatment for each transaction. If the transaction fall under a series of transactions, each transaction is accounted for as a disposal of subsidiary with control lost. However, the difference between the consideration for each transaction before losing control and the carrying value of the long-term equity investments corresponding to the equity disposed of is recognised as other comprehensive income and transferred to profit or loss upon loss of control.

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15. Long-term receivables

For the long-term receivables from sale of goods with financing nature by using deferred methods, the discount value of contract or agreement prices receivable (contract or agreement prices receivable less unrealized financing income) are taken as its initial recognised amount. At the end of the year, the Group separately carries out impairment test for long-term receivables, and credit impairment loss is recognised and provision for bad debts is made based on the difference from the present value of future cash flows lower than its book value.

16. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation, or both, and include buildings that have been leased out.

Investment properties are initially measured at cost. Subsequent expenditures related to investment properties are included in the cost of investment properties if it is probable that the economic benefits associated with the asset will flow and the cost can be measured reliably. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

The Group uses the cost model for the subsequent measurement of investment properties. The investment properties of the Group are depreciated or amortised using the straight-line method. The estimated useful life, net residual value ratio and annual depreciation (amortisation) rate are as follows:

Type	Useful life (year)	Estimated residual value ratio (%)	Annual depreciation rate (%)
Buildings and structures	30-70	3-10	4.09-6.67

The proceeds from disposal of investment properties sold, transferred, scrapped or destroyed, net of their carrying values and related taxes, is recognized in profit or loss for the current period.

The Group converts fixed assets to investment properties at the carrying amount before conversion when there is evidence of conversion of buildings and structures for own use to rental.

The Group converts buildings and structures that would otherwise be used to earn rentals or for capital appreciation to own-use when there is evidence of conversion, and investment properties are converted to fixed assets at their carrying value before conversion.

17. Fixed assets

1. Conditions of recognition

Fixed assets of the Group are tangible assets that held for production of goods or provision of services, leasing to others, or for administrative purposes; have useful life over one accounting year. Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets are initially measured at cost.

Subsequent expenditures related to fixed assets are included in the cost of the fixed assets and the carrying amount of the replaced part is derecognized if it is probable that the economic benefits associated with the fixed assets will flow and their cost can be measured reliably. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

Fixed assets of the Group comprise buildings and structures, machinery equipment, transportation equipment and other equipment.

2. Method of depreciation

Apart from fixed assets which are provided in full and continue to be in use, the Group made provision for all the fixed assets by using straight-line method from the month after reaching the intended useable state. The useful life, estimated residual value ratio and depreciation rate of fixed assets of the Group are classified as below:

Type	Useful life (year)	Estimated residual value ratio (%)	Annual depreciation rate (%)
Buildings and structures	8-50	3-10	1.8-12.13
Machinery and equipment	6-20	3-10	4.5-16.17
Transportation equipment	10-15	3-10	6.00-9.7
Other equipment	3-50	3-10	1.80-32.33

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3. Other information

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses are recognised in profit or loss for current period.

The Group makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.

For impairment testing of fixed assets, please refer to Impairment of assets other than inventories and financial assets.

18. Construction in progress

The cost of construction in progress is determined on the basis of actual construction expenditures, including all construction expenditures incurred during the construction period, borrowing costs capitalized before the construction reaches its intended useable state, and other related costs.

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. The cost of the asset is adjusted when the construction finalization procedures are completed.

For the impairment test of construction in progress, please refer to Impairment of assets other than inventories and financial assets.

19. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. Borrowing cost from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can reached usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalization starts; When construction or assets that fulfil the capitalization conditions, and reached the expected usable or sale condition, capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

The remaining borrowing costs are recognized as expenses in the period in which they are incurred.

20. Intangible assets

1. Valuation method, useful life and impairment test of intangible asset

The intangible assets of the Group include the land use right, coastline use right, software and others.

Intangible assets are recognized and initially measured at cost only when it is probable that the economic benefits associated with them will flow into the Group and their cost can be measured reliably. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value. However, intangible assets acquired in a business combination that are not under common control whose fair value can be reliably measured are separately recognized as intangible assets and measured at fair value.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives from the time they are available for use, less the estimated net residual value and the cumulative amount of the provision for impairment. Intangible assets with indefinite useful lives are not amortized.

The Group amortises land use right on the basis of its useful life. The non-patent technology is amortised on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. Software is amortized over its estimated useful life or contractual useful life.

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The Group makes the assessment on the estimated useful life and amortisation method of intangible assets with limited useful life at each financial year-end and makes adjustment. If any changes occur, they will be regarded as changes on accounting estimates.

For impairment testing of intangible assets, please refer to Impairment of assets other than inventories and financial assets.

2. Research and development expenses

Research and development expenses of the Group is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss for the period as incurred.

Expenditure on the development phase will be recognised as intangible assets while satisfying the following conditions and expenditures in the development phase that do not meet the following conditions are charged to the current profit or loss:

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) There is intention to complete the intangible asset for use or sale;
- (3) There is evidence that the products produced using the intangible asset having a market or the intangible asset itself has a market, and there is evidence to proof the usefulness of intangible assets for internal use;
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

If it is not possible to distinguish between research and development expenditures, all research and development expenditures incurred are included in the profit or loss for the current period. Development expenditure previously expensed in prior periods is not recognised as an asset in subsequent period. Capitalised expenditure on the development phase are stated in the balance sheet as "Development Expenditure" and transfer to as "Intangible assets" when they become ready for their intended use.

21. Impairment of assets

The Group determines impairment of assets other than inventories, contract assets and assets related to contract costs, deferred income taxes, financial assets and assets held for sale as follows:

The Group determines at the balance sheet date whether there is an indication that an asset may be impaired. When there is an indication of impairment, the Group estimates the recoverable amount and performs an impairment test. Goodwill and intangible assets with indefinite useful lives are tested for impairment at the end of each year, regardless of whether there is an indication of impairment. Intangible assets that have not yet reached their useful lives are also tested for impairment annually.

The estimated recoverable amount of an asset is based on an individual asset. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined using the asset group to which the asset belongs. An asset group is the smallest combination of assets that can generate cash inflows independently. The recoverable amount is the higher of the net of the fair value of an asset or group of assets, less costs of disposal, and the present value of its estimated future cash flows. If the carrying amount of an asset exceeds its recoverable amount, a provision for impairment is made for the difference and an impairment loss is included.

Goodwill is tested for impairment in conjunction with the asset group or combination of asset groups to which it relates. That is, the carrying amount of goodwill is apportioned from the date of purchase to the asset group or combination of asset groups that can benefit from the synergies of the business combination in a reasonable manner, and if the recoverable amount of the asset group or combination of asset groups that contains the apportioned goodwill is less than its carrying amount, a corresponding impairment loss is recognized. The amount of the impairment loss is first set off against the carrying amount of the goodwill apportioned to that asset group or group of asset groups, and then against the carrying amount of each asset other than goodwill in the asset group or group of asset groups on a pro-rata basis.

The above assets impairment loss once recognised, cannot be transferred in the subsequent accounting period.

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22. Long-term prepaid expenses

Long-term prepaid expenses represent each expense that has been expensed by the Group and has an amortization period of more than one year. Long-term prepaid expenses are amortized evenly over the benefit period of the expense item. For Long-term prepaid expenses items that do not benefit subsequent accounting periods, the amortization value of the item is fully charged to the profit or loss for the current period when it is determined.

Long-term prepaid expenses are accounted for at the actual cost when incurred.

23. Employee benefits

Employee benefits are all forms of remuneration or compensation given by the Group for services rendered by employees or for the termination of employment relationships, include short-term compensation, post-employment benefits, termination benefits and other long-term benefits.

1. Short-term compensation

Short-term compensation mainly includes wages, bonuses, medical insurance, injury insurance, maternity insurance, supplemental medical insurance, housing fund, union funds and workers education, outsourcing labour compensation and others. Short-term compensation actually incurred shall be recognised as liabilities during the accounting period which the labour provided services, and included into the profit or loss or related assets cost of the current period of beneficiary. Of these, non-monetary benefits are measured at fair value.

2. Post-employment benefits

Post-employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Group in order to obtain services from employees, except for the short-term compensation and termination benefits, and are classified into defined contribution plans and defined benefit plans in view of the risks and obligations borne by the Company. Save as defined benefit plans for Huangpu Wenchong and Wenchong Shipyard, being subsidiaries of the Company, the Group's post-employment benefits, which are mainly basic pension and unemployment insurance contributions for employees and enterprise annuity, are all defined contribution plans.

(1) Defined contribution plan

The Group's defined contribution plan represents the basic endowment insurance, unemployment insurance and enterprise annuity paid for its employee in accordance with the relevant provisions of the local government. During the accounting period when the staff provides service, the Group will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognised as liabilities, and the liabilities would be charged into current profit and loss or costs of assets of beneficiary.

(2) Defined benefit plan

There are defined benefit plans for Huangpu Wenchong and Wenchong Shipyard respectively, being subsidiaries of the Company. The present value of this defined benefit plan obligation is calculated annually by an independent actuary using the expected cumulative benefit unit method based on an interest rate on high quality corporate debt of similar maturity and currency to the obligation. The net liability for the present value of the defined benefit plan obligation, less the fair value of plan assets, is shown in the balance sheet under Long-term employee benefits payable. Service costs associated with the plan (including current service costs, past service costs and settlement gains or losses) and net interest based on the net defined benefit plan liability and an appropriate discount rate are included in the profit or loss or the cost of related assets for the current period, and changes resulting from the remeasurement of the net defined benefit plan liability are included in other comprehensive income.

3. Termination benefits

Termination benefits are the compensation to employees when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. The compensation liability for the termination of employment relationship with employee are charged to the profit or loss for the year at the earlier of the following dates: (i) when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer. (ii) when the Group recognises and pays the related costs for a restructuring of termination benefits.

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24. Estimated liabilities

In addition to contingent consideration and contingent liabilities assumed in business combinations that are not under common control, present obligations arising from warranty on quality of goods, loss-making contracts and litigation, or other contingent matters meet the following requirements, the Group will recognise them as liabilities:

- (1) the assumed responsibilities are actual and real;
- (2) the fulfilment of obligations will probably to cause the outflow of economic benefit from the Group;
- (3) the amount of liabilities can be measured reliably.

The initial measurement of estimated liabilities is based on the best estimate of the outflow of present obligation by considering relevant risks, uncertainties and time value of money, etc. The Group assesses the book value of estimated liabilities on each balance sheet date. If there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

If all or part of the expenditure required to settle the estimated liability is expected to be reimbursed by a third party, the amount of reimbursement is recognized separately as an asset when it is substantially certain that it will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the estimated liability.

Contingent liabilities of the acquiree acquired in a business combination that are not under common control are measured at fair value at initial recognition and subsequently measured at the higher of the amount of the expected liability recognized, and the amount initially recognized, less accumulated amortization determined in accordance with the revenue recognition principle.

25. Production safety fee

According to the regulation for Notice of the Ministry of Finance and the State Administration of Work Safety on Issuing the Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds (Cai Qi [2012] No.16), the Group's shipbuilding companies and supporting manufacturing enterprises made provision for production safety fees, which are specifically used to improve and enhance the enterprise or project safety production conditions.

The production safety fees set aside by the Group are included in the cost of the relevant products and the Special reserve item. When writing off production safety fees within specified range, depending on turning into fixed assets for separate treatment, it should directly write off specific reserves when accounted for as expenses; If capitalizing production safety fees into Fixed assets, it should be pooled in work in progress and transfer to Fixed assets when the projects reach intended use state, the cost of which should write off Special reserves, and recognise accumulated depreciation at the same amount. This fixed asset would not be depreciated in subsequent periods.

26. Revenue

1. Principles for recognition of revenue

The Group recognizes revenue when it has fulfilled its performance obligations under the contract, i.e., when the customer obtains control of the relevant goods. The obtaining of control of the relevant goods is defined as the ability to dominate the use of the goods and derive substantially all of the economic benefits therefrom.

The performance obligations are discharged over time if any of the following condition has been met, otherwise are discharged at a particular point in time:

- (1) customers obtain and consume the economic benefits from the performance by the Group of its obligations at the time of performance;
- (2) customers are able to control the goods under development in the process of performance by the Group of its obligations;
- (3) the goods generated in the course of performance by the Group of its obligations has irreplaceable use and the Group has the right to receive payment for the part of obligations which have been performed during the whole contractual term.

For the performance obligations to be fulfilled over time, the Group recognises revenue based on the performance progress during such period. 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.

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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. In determining whether customers have obtained control over goods, the Group considers the following:

- (1) whether the Group has the existing right to receive payment for the goods;
- (2) whether the Group has transferred the legal ownership of the goods to customers;
- (3) whether Group has physically delivered the goods to customers;
- (4) whether the Group has transferred the major risks and rewards relating to the ownership of goods to customers;
- (5) whether the customers have accepted the goods;
- (6) other indications that customers have obtained control over the goods.

2. **Methods of revenue recognition**

The Group's operating income is mainly derived from the revenue from shipbuilding and offshore engineering products, ship maintenance and modification, the sales of steel structures and the electromechanical products. The policies and methods for revenue recognition are as follows:

(1) *Revenue from shipbuilding and offshore engineering products*

The Group operates shipbuilding and offshore engineering product business. It assesses contracts at their effective dates and determines whether the relevant contract performance obligations meet the condition to "performance over time".

For contracts meeting the condition to "performance over time", the Group recognises revenue and carrying costs based on the contract performance progress during such period. The Group adopts the input method to determine the appropriate progress of performance, which is determined by the total actual contract cost incurred in proportion to the total estimated contract cost. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated for is recognised as revenue, until the performance progress can be reasonably determined. If the incurred cost is expected to be unrecoverable, it is recognised as expense upon occurrence, without recognising revenue.

If the condition to "performance over time" is not met, the Group recognises one-off revenue based on the transaction price specified in the contract or ship delivery documents when the ships and offshore engineering products are completed and delivered and carries forward one-off full cost of the contract.

(2) *Revenue from ship maintenance and modification*

The Group provides general ship maintenance business. With the short repair cycle, the Group recognises revenue when the ship maintenance and the relevant settlement procedures are completed.

(3) *Revenue from the sales of steel structures*

For the manufacturing and installation contracts for large steel structures provided by the Group, if they meet the condition to "performance over time", the Group recognises their revenue based on performance progress during such period. The due performance progress is determined using the input method, based on the percentage of total accumulated incurred contract target cost to total expected contract cost. For the steel structure manufacturing and delivery contracts not meeting the condition to "performance over time", the Group recognises revenue according to workload confirmation after the steel structures are completed and delivered to customers, pass inspections and are accepted by customers.

(4) *Revenue from the sales of electromechanical products*

Revenue from electromechanical products provided by the Group is recognised upon completion and delivery.

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27. Contract assets and contract liability

In the contract between the Company and the customer, the Company has the right to receive the contract price for the transfer of the goods and related services to the customer, and at the same time bear the performance obligation to transfer the goods or services to the customer. Before the customer actually pays the contract price or the goods or services or the consideration is due, when the Company has already transferred such goods or service to the customer, it shall present the rights to receive consideration for the transfer of goods or services as contract assets and shall recognize as accounts receivable when obtaining unconditional collection rights. Otherwise, the obligation to transfer goods or services to a customer for which the Company has received a consideration (or an amount of consideration that is due) from the customer is presented as contract liabilities. When the Company fulfills its obligation to transfer goods or provide services to customers, the contract liabilities are recognized as revenue.

The Group presents contract assets and contract liabilities under the same contract on a net basis.

Provisions for losses are recognized for contract assets on the basis of expected credit losses.

Method of determination of expected credit loss of contract assets. For contract assets arising from the Group's normal performance of contracts, if contractual payment is no more than 30 days past due, the Group determines that there is no difference between the cash flows receivable for the contract and the cash flows expected to be received, and no provision for impairment of contract assets is recognised. If contractual payment is no less than 30 days past due, the Group recognises provision for impairment of contract assets based on the expected credit losses of the contract assets for the entire duration of the contract. For the method of determination, please refer to the description in "11. Notes and accounts receivable" above.

Accounting treatment method. The Group calculates the expected credit loss of contract assets on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current provision for contract assets, the Group recognises the difference as impairment losses, and it will debit "credit impairment loss" and credit "provision for impairment of contract assets". Otherwise, the Group recognises the difference as an impairment gain and makes the opposite accounting record.

If the Group incurs credit loss and determines that the relevant contract assets are unrecoverable, subject to the approval for writing off, it will debit "provision for impairment of contract assets" and credit "contract assets" based on the approved amount written-off. If the written-off amount is greater than the loss allowance made, the "credit impairment loss" is debited for the difference.

28. Contract costs

The Group's assets related to contract costs include contract acquisition costs and contract performance costs. They are presented in inventories, other current assets and other non-current assets, respectively, depending on their liquidity.

1. Method of determination of amount of assets relating to contract costs

The cost incurred by the Group to perform a contract are not applicable to the scope of regulation of relevant standards such as inventory, fixed assets or intangible assets and meets all of the following conditions, and is recognised as an asset as contract performance cost:

- (1) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- (2) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future;
- (3) the costs are expected to be recovered.

The incremental cost for the Group to obtain a contract is expected to be recoverable and is recognised as an asset as contract acquisition cost, unless If the amortisation period is no more than one year. Incremental cost refers to the cost which will not be incurred by the Group had no contract been acquired. Other expenses incurred by the Group to obtain contracts (other than the incremental cost which is expected to be recoverable) are included in profit or loss as incurred, save for those expressly to be borne by customers.

2. Amortisation of assets relating to contract costs

The Group's assets relating to contract costs are amortised using the same basis as that for recognition of the revenue from goods relating to the assets, which are included in profit or loss.

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3. **Impairment of assets relating to contract costs**

In determining the loss on impairment of assets relating to contract costs, the Group first determines the impairment loss for other assets relating to contract costs recognised in accordance with the relevant Accounting Standards for Business Enterprises and then makes provision for impairment based on the excess of its carrying value over the sum of the remaining consideration expected to be received from transfer of the goods relating to the asset and the cost expected to be incurred for transfer of the relevant goods, which is recognised as loss on impairment of assets.

If there is any change in the factors causing impairment in the previous periods, resulting in the said difference higher than the carrying value of the asset, the provision for impairment of assets previously made is reversed and is included in profit or loss. However, the carrying value of the asset following reversal shall not exceed the carrying value of the asset as at the date of reversal, which had no provision for impairment been made.

29. **Government grants**

Government grants are monetary or non-monetary assets obtained from the governments, excluding the contributed capital from the government investor. The special grant of investment from government, which should be recognised as capital reserves according to related national documents, should also be capitalised in nature, and therefore shouldn't be recognised as government grants. Government grants are recognized when the conditions attached to the government grants can be met and can be received.

If a government grant is a monetary asset, it is measured at actual received or receivable amount. Government grants that are non-monetary assets are measured at fair value. If the fair value of a non-monetary asset cannot be determined in a reliable way, it is measured at its nominal amount (RMB1). Government grants that are measured at nominal amounts are recognized directly in profit or loss for the current period.

1. **Basis of judgment and accounting treatment for asset-related government grants**

Asset-related government grants are government grants acquired by the Group for the acquisition or long-term assets formed in other ways.

Government grants related to assets are recognized as deferred income and recognized in profit or loss for the current period over the useful life of the related assets in accordance with the straight-line method. If the related assets are sold, transferred, scrapped or destroyed before the end of their useful lives, the unallocated balance of the related deferred gain or loss is transferred to profit or loss in the period when the assets are disposed of.

2. **Judgment basis and accounting treatment of revenue-related government grants**

Revenue-related government grants are government grants other than those related to assets.

Government grants related to revenue that are used to compensate for related costs and expenses or losses in subsequent periods are recognized as deferred revenue and charged to the profit or loss in the current period in which the related costs and expenses or losses are recognized; those used to compensate for related costs and losses already incurred are charged directly to the profit or loss for the current period.

The Group classifies government grants that are difficult to distinguish as a whole as revenue-related government grants.

Government grants related to ordinary activities are recognized in other income in accordance with the substance of economic operations. Government grants that are not related to ordinary activities are included in non-operating income.

3. **Accounting treatment for loan interest subsidy**

Where the Group has obtained loan interest subsidy, different accounting treatment will be applied in accordance with the following principles:

- (1) Where the interest subsidy is paid to the lending bank which provides loan to the Group at a preferential interest rate, the Group recognises the loan at the actual amount of loan received and the interest expense is calculated based on the principal of the loan and the preferential interest rate.
- (2) Where the interest subsidy is directly paid to the Group, the interest subsidy is utilised to offset the interest expense.

If any government grant recognised by the Group is required to be returned, the accounting treatments shall be conducted for the period of return in accordance with the following:

- ① if the government grant is utilised to offset the carrying value of the relevant assets at initial recognition, the carrying value of the assets shall be adjusted.
- ② any deferred income is utilised to offset the book balance of the relevant deferred income and any excess is included in profit or loss for the current period.
- ③ under any other circumstances, they are directly included in profit for loss for the current period.

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30. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized using the balance sheet liability method for temporary differences arising from differences between the carrying amounts of certain items of assets and liabilities and their tax bases, as well as differences between the carrying amounts of items that are not recognized as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the tax laws.

Deferred income tax is generally recognized on all temporary differences. However, for deductible temporary differences, deductible losses and tax credits that can be carried forward to future years, the Group recognises deferred income tax assets to the extent that it is probable that taxable income will be available against which the deductible temporary differences, deductible losses and tax credits that can be utilized.

In addition, No deferred tax liability is recognised for a temporary difference arising from initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss).

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and the carrying amount of deferred tax assets is written down if it is more likely that sufficient taxable income will not be available against which the benefit of the deferred tax assets can be utilized in the future. To the extent that it is probable that sufficient taxable income will be available, the written down amount is reversed.

31. Leases

A lease is a contract in which the lessor grants the right to use an asset to the lessee for a certain period of time for consideration.

At the inception/change date of a contract, the Group assesses whether the contract is a lease or contains a lease. The Group does not reassess whether a contract is a lease or contains a lease unless there is a change in the terms and conditions of the contract.

1. The Group as lessee

(1) Splitting of leases

If a contract contains one or more lease and non-lease components at the same time, the Group splits each individual lease and non-lease component and apportions the contract consideration in the relative proportion of the sum of the individual prices of each lease component and the individual prices of the non-lease components.

(2) Right-of-use assets

At the commencement date of the lease term, the Group recognises right-of-use assets and lease liabilities for leases other than short-term leases and leases of low-value assets, and recognises depreciation expense and interest expense, respectively, over the lease term.

The right-of-use asset refers to the right of the lessee to use the leased asset during the lease term. On the commencement date of the lease term, the right-of-use assets are initially measured at cost. The cost includes: ①The initial measurement amount of the lease liability;②The lease payment amount paid on or before the commencement date of the lease term, and the relevant amount of the lease incentive that has been enjoyed shall be deducted if there is a lease incentive; ③The initial direct costs incurred by the lessee; ④The cost which the lessee is expected to dismantle and remove the leased asset, restore the site of leased asset or restore the leased asset to the agreed terms of the lease terms.

The depreciation of the right-of-use assets of the Group is accrued using the straight-line method. For those who can reasonably determine the ownership of the leased asset when the lease term expires, the depreciation is made within the estimated remaining useful life of the leased asset. If it is not reasonable to determine that the leased asset will be acquired at the expiration of the lease term, the depreciation is made during the shorter period between the lease term and the remaining useful life of the leased asset.

The Group determines whether the right-of-use assets have been impaired and carries out accounting treatment to the identified impairment loss in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 8 - Impairment of Assets.

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(3) Lease liability

The lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date of the lease term. In calculating the present value of the lease payments, the Group uses the interest rate embedded in the lease as the discount rate.

If the interest rate embedded in the lease cannot be reasonably determined, the Group's incremental borrowing rate is used as the discount rate. The lease payments, being payments made by the Group to the lessor in connection with the right to use the leased asset during the lease term, include: ① The fixed payment amount (including the substantial fixed payment amount), and the relevant amount of the lease incentive shall be deducted if there is a lease incentive; ② Variable lease payments depending on the index or ratio; ③ The amount expected to be paid based on the residual value of the guarantee provided by the lessee; ④ The exercise price of purchasing the option, to be determined by the Group on a reasonable basis; ⑤ If the lease term reflects that the Group will exercise the option to terminate the lease, payments required to exercise the option to terminate the lease.

Variable lease payments that depend on an index or rate are determined at initial measurement based on the index or rate at the inception date of the lease term. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss when they are actually incurred.

After the commencement date of the lease term, the Group calculates the interest expense on the lease liability for each period of the lease term based on a fixed periodic interest rate and includes it in finance costs. This periodic interest rate is the discount rate or revised discount rate adopted by the Company.

When the Group's evaluation on the renewal and the termination of leasing or purchasing the option changes, the lease liabilities will be re-measured according to the present value of the changed lease payment and the revised discount rate, and the book value of the right-of-use asset will be adjusted accordingly. When the actual lease payment amount, the estimated amount of the guarantee residual value or the variable lease payment amount depending on the index or ratio changes, the lease liability will be re-measured according to the present value calculated from the changed lease payment amount and the original discount rate, and the book value of the right-of-use assets will be adjusted accordingly.

(4) Short-term leases and leases of low-value assets

The Group has chosen not to recognise right-of-use assets and lease liabilities for short-term leases of transportation equipment, machinery and equipment and electronic equipment, as well as leases of low-value assets. Short-term leases refer to leases with a lease term of not more than 12 months at the commencement date of the lease term and do not contain a purchase option. Low-value asset leases are leases with a lower value when the individual leased asset is a brand-new asset. The Group recognises lease payments under short-term leases and leases of low-value asset in the profit or loss for the current period or the cost of the related assets on a straight-line basis over the respective periods of the lease term.

(5) Changes in leases

If a lease is changed and the following conditions are met, the Group will account for the lease change as a separate lease.

- ① The lease modification expands the scope of the lease by adding the right to use one or more leased assets;
- ② The increased consideration is equivalent to the separate price of the expanded portion of the lease scope adjusted for the circumstances of that contract.

If a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Group reapportioned the consideration of the modified contract, redetermined the lease term, and remeasured the lease liability based on the present value of the modified lease payments and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Group reduces the carrying value of the right-of-use asset accordingly and recognises the gain or loss related to the partial termination or complete termination of the lease in the profit or loss for the current period. If other lease changes result in the remeasurement of the lease liability, the Group adjusts the carrying value of the right-of-use asset accordingly.

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2. The Group as lessor

(1) Splitting of leases

If a contract contains both lease and non-lease components, the Group apportions the contract consideration in accordance with the provisions of "Accounting Standards for Business Enterprises No. 14 – Revenue Standards" on apportionment of transaction prices, based on the respective individual selling prices of the lease component and non-lease component.

(2) Classification of leases

Leases that substantially transfer almost all the risks and rewards associated with the ownership of leased assets are finance leases. Leases other than finance leases are operating leases.

(3) Operating Lease

The Group adopts the straight-line method in each period of the lease term to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Group in relation to the operating leases are capitalised and recognised in the current period over the lease term on the same basis as the recognition of rental income.

Variable lease receipts obtained by the Group in connection with operating leases that are not included in the lease receipts are recognized in the profit or loss for the current period when they are actually incurred.

32. Discontinued operations

Discontinued operations refer to components of the Group which satisfies the following conditions and can be independently distinguished, and such components has been disposed of or classified as held as available-for-sale:

- (1) the component represents an independent major business or an independent major region of activity;
- (2) the component is an intended disposal of part of a relevant plan of an independent major business or an independent major region of activity;
- (3) the component is a subsidiary acquired specifically for resale.

For discontinued operations presented in the current period, the Group presents profits or losses from continuing operations and discontinued operations separately in the income statement for the current period and restates the information originally reported as profit or loss from continuing operations in the income statement for the comparative periods as profit or loss from discontinued operations for the comparative accounting periods.

33. Hedge Accounting

To manage risk exposures arising from specific risks such as foreign exchange risk, the Group designates certain financial instruments as hedging instruments for hedging purposes. Hedges that meet the prescribed conditions are accounted for by the Group using hedge accounting. The Group's hedges include cash flow hedges. Hedges of identified committed foreign exchange exposures are treated as cash flow hedges by the Group.

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1. **Conditions for applying hedge accounting**

The Group formally designates the hedging instrument and the hedged item at the beginning of the hedge, records the hedging instrument, the hedged item, the nature of the hedged risk and the method of assessing hedge effectiveness (including an analysis of the reasons for the generation of the ineffective hedge portion and the method of determining the hedge ratio). In addition, the Group continuously evaluates whether the hedging relationship meets the hedge effectiveness requirements at the beginning of the hedge and in subsequent periods. The Group determines that the hedging relationship meets the hedge effectiveness requirements if the hedge meets the following conditions at the same time:

- (1) An economic relationship exists between the hedged item and the hedging instrument.
- (2) The effect of credit risk does not dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.
- (3) The hedge ratio of a hedging relationship will be equal to the ratio of the number of hedged items that the Group actually hedges to the actual number of hedging instruments that hedge them.

If a hedging relationship no longer meets hedge effectiveness requirements due to the hedge ratio, but the Group's risk management objective in designating the hedging relationship has not changed, the Group will rebalance the hedging relationship by adjusting the number of hedged items or hedging instruments in the already existing hedging relationship so that the hedge ratio meets hedge effectiveness requirements again.

The Group can apply hedge accounting methods only if the conditions specified in the application of hedge accounting standards are also met.

2. **Discontinuation of hedge accounting**

The Group will discontinue the application of hedge accounting if one of the following circumstances occurs:

- (1) The hedging relationship no longer meets the risk management objectives due to a change in risk management objectives.
- (2) The hedging instrument has expired, is sold, the relevant contract is terminated, or is exercised.
- (3) The economic relationship between the hedged item and the hedging instrument no longer exists, or the effect of credit risk begins to dominate the changes in value resulting from the economic relationship between the hedged item and the hedging instrument.
- (4) The hedging relationship no longer meets the other conditions for applying hedge accounting methods.

3. **Cash flow hedge accounting treatment**

The Group recognizes the portion of the gain or loss arising from the hedging instrument that is effective as a cash flow hedge reserve in other comprehensive income, and the portion that is ineffective as a hedge is recognized in the profit or loss for the current period. The amount of the cash flow hedge reserve is determined as the lower of the absolute amount of: the cumulative gain or loss on the hedging instrument from the inception of the hedge; and the cumulative change in the present value of estimated future cash flows of the hedged item from the inception of the hedge.

When the hedged item is an anticipated transaction and the anticipated transaction results in the Group's subsequent recognition of a non-financial asset or non-financial liability, or the anticipated transaction of a non-financial asset or non-financial liability creates a firm commitment to which fair value hedge accounting applies, the Group reverses the amount of the cash flow hedge reserve originally recognized in other comprehensive income to the amount initially recognized for that asset or liability. For cash flow hedges that do not fall into the above category, the Group reverses the amount of cash flow hedge reserve originally recognized in other comprehensive income to profit or loss in the same period in which the hedged expected cash flows affect the profit or loss. If the amount of the cash flow hedge reserve recognized in other comprehensive income is a loss that is not expected to be recovered in whole or in part in a future accounting period, the Group transfers the portion that is not expected to be recovered from other comprehensive income to the profit or loss for the current period when it is not expected to be recovered.

When the Group terminates the application of hedge accounting to a cash flow hedge, if the hedged future cash flows are still expected to occur, the amount of the accumulated cash flow hedge reserve is retained and accounted for as described above; if the hedged future cash flows are no longer expected to occur, the amount of the accumulated cash flow hedge reserve is transferred from other comprehensive income and recognized in the profit or loss for the current period.

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34. Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments, after taking into account of the principle of materiality. In preparing segment reports, the Group measures the revenue from inter-segment transactions based on the actual transaction price. The accounting policies adopted for the preparation of segment reports are consistent with those adopted for the preparation of the Group's financial statements.

35. Fair value measurement

The Group measures its investments in derivative financial instruments and other equity instruments at fair value at each balance sheet date. The Group measures the relevant assets or liability at fair value supposing the orderly transaction of asset selling or liability transferring incurring in a principal market of relevant assets or liabilities. In the absence of a principal market for the asset or liability, the group assumes that the transaction take place at the most advantageous market of relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the group can enter into at measurement date. The Group implements the hypothesis used by the market participants to realize the maximum economic benefit in assets or liabilities pricing.

For non-financial assets measured at fair value, the Group should consider the capacity of the market participants to put the assets into optimal use thus generating the economic benefit, or the capacity to sell assets to other market participants who can put the assets into optimal use and generate economic benefit.

The Group implements the valuation technique suitable for the current condition and supported by enough available data and other information, gives priority in use of relevant observable inputs, only the observable inputs cannot be obtained or impracticable before using unobservable inputs.

For the assets and liabilities measured at fair value or disclosure at financial statements, fair value hierarchies are categorized into three levels as the lowest level input that is significant to the entire fair value measurement. Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: inputs are unobservable inputs for the assets or liability.

The Group prioritizes the use of Level 1 inputs and then finally uses Level 3 inputs. The Group uses Level 1 inputs for shares of listed companies, Level 2 inputs for forward foreign exchange contracts and Level 3 inputs for investments in other equity instruments of unlisted companies to measure fair value using valuation techniques.

At each balance sheet date, the group reviews the assets and liabilities recognized to be measured at fair value on the financial statements to make sure whether conversion occurs between fair value hierarchies.

36. Other significant accounting policies and accounting estimates

When preparing financial statements, the management of the Group needs to use assumptions and evaluations, which might influence accounting policy application and the amounts of assets, liabilities revenues and expenses. The effective results might differ from these estimates. The management of the Group continues to evaluate the uncertain factors and key assumptions that affect estimates. The changes on accounting estimates effects should be recognised in the current year or carry forward.

The following accounting estimates and key assumptions would result in significant adjustment of the book value of assets and liabilities for next fiscal year.

1. Net realisable Value of inventories

The Group estimates net realisable value of inventories on a regular basis, and the difference of inventory cost higher than net realisable value is recognised as loss on impairment of inventories. The Group estimates the net realisable value of inventories based on estimated price of similar goods, net of costs, selling expenses and related taxes. If the effective price is different from estimated price, the management would adjust the net realisable value. Therefore, the estimation according to current experience would be different from the actual value, resulting in adjustment to book value of Inventories in the balance sheet. Provision for impairment of inventories could be revised because of the above issues. The adjustment for provision for impairment of inventories could affect the current profit or loss.

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2. **Estimated useful life and residual value of fixed assets and intangible assets**

The Group depreciates or amortizes property, plant and equipment and intangible assets over their estimated useful lives, taking into account their residual values. The Group reviews the estimated useful lives and residual values of fixed assets and intangible assets at least at the end of each year. The estimated useful lives, residual values are determined by management based on the historical experience of similar assets, with reference to estimates generally applied in the same industry and in conjunction with expected technological updates. When there is a significant change in previous estimates, depreciation expense and amortization expense in future periods are adjusted accordingly.

3. **Impairment of financial instruments**

The Group uses the expected credit loss model to assess the impairment of financial assets measured at amortized cost, investments in debt instruments measured at fair value through other comprehensive income, and lease receivables. The application of the expected credit loss model requires significant judgments and estimates, which require consideration of all reasonable and substantiated information, including forward-looking information. In making such judgments and estimates, the Group presumed expected changes in debtors' credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment made may not equal to the actual amount of future impairment loss.

4. **Impairment of non-current assets other than financial assets (other than goodwill)**

The Group determines at the balance sheet date whether there is an indication that a non-current asset, other than financial assets, may be impaired. Intangible assets with indefinite useful lives are tested for impairment when there is an indication of impairment, in addition to the impairment test performed annually. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. **Target contract cost**

The Group reviews the target contract cost on a regular basis. The estimated cost of uncompleted part that might incur in the future would be revised constantly based on the total cost of the same type ships, which have completed, actual cost and progress of the ships in progress, changes in materials and employees and others.

6. **Income tax**

The Group estimates income tax expense and deferred income tax in accordance with existing tax rules and regulations, taking into account special approvals obtained from the relevant tax authorities and tax incentives to which the Group is entitled in the places or jurisdictions in which it operates. In the normal course of business, there will be uncertainties in the ultimate tax treatment of some transactions and matters. If the final determination of these tax matters differs from the amounts initially recorded, such difference will have an impact on the amount of income tax expense and deferred income tax in the period in which such final determination is made.

Deferred income tax assets are recognized for unused losses and other deductible temporary differences, such as impairment allowances for pre-tax non-deductible receivables, inventories, fixed assets and construction in progress, to the extent that it is probable that future taxable profit will be available to cover the losses or the deductible temporary differences can be reversed. The amount of recognition of deferred tax assets requires management to apply significant estimates based on the timing and amount of future taxable profit to be generated and future tax planning.

The Group believes that the appropriate current income taxes and deferred income taxes are recognised based on current tax rules and regulations and current best estimates and assumptions. If future changes in tax rules and regulations or related circumstances require adjustments to current and deferred income taxes, which will have an impact on the Group's financial position.

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37. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Changes in accounting policy

There is no change in accounting policy during the year.

2. Changes in accounting estimates

The Group held the third meeting of the Tenth Board of Directors and the third meeting of the Tenth Board of Supervisors on December 29, 2020. The "Proposal on Changes in Accounting Estimates" was reviewed and approved, which will be implemented on October 1, 2020.

(1) The reason for changes

In accordance with the "Accounting Standards for Business Enterprises No. 28-Accounting Policies, Changes in Accounting Estimates and Error Corrections", and combined with the actual situation of the Group, in order to correspond to accounts receivable and other receivables (hereinafter referred to as "receivables "Accounts") more accurately, and to reflect the financial status and operating results of the Group more objectively and fairly, the accounting estimates on provision for bad debts corresponding to accounts receivable are changed.

(2) The applicable accounting estimates before changing

- ① For accounts receivable among enterprises within the scope of the consolidated financial statements of the CSSC Group, the Group judges that there is no expected credit loss. Therefore, no provision for bad debts is made.
- ② The Group conducts a separate impairment test for the accounts receivable and other accounts receivable with signs of impairment for which the initial confirmation date is more than 1 year. And according to the difference of the book value of accounts receivable and the expected receipt of the present value in cash flow, determines the expected credit loss of the accounts receivable, and makes provision for bad debts.
- ③ For other accounts receivable that have not been individually tested, basing on the actual credit losses in previous years and taking into account the forward-looking information of this year, the estimated default loss rate is 0.5%, which is determined by 0.5% of the balance on the balance sheet date. Then, the company make provision for bad debts.

(3) The applicable accounting estimate after changing

- ① The Group judges that there is no expected credit loss for related party accounts receivable, non-overdue deposits and security deposits, reserve funds and employee loans, and government and public institutions receivables, which have no signs of impairment. Therefore, the company do not need to make provision for bad debts.
- ② The Group will conduct a separate impairment test for those receivables that have signs of impairment and other receivables that are applicable to individual tests. The difference between the book value of the receivables and the expected cash flow value, determines the expected credit loss of accounts receivable, according to which, the company makes provision for bad debts.
- ③ For other accounts receivable that have not been individually tested, the Group determines the estimated LGD based on the actual credit losses in previous years and the forward-looking information of this year (see the table below). And basing on the estimated LGD calculate the expected credit loss of accounts receivable and make provision for bad debts.

Ageing	The estimated default loss rate of accounts receivable (%)	The estimated LGD of other receivables (%)
within six months	0	0
6 months to 1 year (including first year)	0.5	0.5
1 year to 2 years (including the second year)	10	10
2 years to 3 years	30	30
3 years to 5 years	80	80
Over 5 years	100	100

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(4) *The impacts of changes*

This change in accounting estimates adopts the future application method to reduce the Group's 2020 net profit of RMB13.24 million and reduce shareholders' equity by RMB13.24 million (including: RMB7.33 million attributable to shareholders' equity of the parent company and RMB5.91 million attributable to minority shareholders' equity).

IV. TAX

(1) **Main taxes and rates**

Type	Tax basis	Tax rate
PRC enterprise:		
– Value-added tax	Amount of VAT payable (taxable amount is calculated by multiplying taxable sales by the applicable tax rate less input tax allowed for deduction in the current period)	13%、9%、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	16.50%

Notes on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Tax rate	Remarks
The Company	25.00%	
Huangpu Wenchong	15.00%	
Wenchong Shipyard	15.00%	
Wenchuan Heavy Industrial	15.00%	
Wah Shun	16.50%	Note
Wah Loong	16.50%	Note
Zhanjiang Nanhai	20.00%	
Xingji	20.00%	
Wenchong Bingshen	20.00%	
CSSC Internet	20.00%	
CSSC New Energy	20.00%	
Other subsidiaries	25.00%	

Note: Wah Shun and Wah Loong, which are incorporated in Hong Kong, enforce Hong Kong profits tax at 16.50%.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Preferential taxation treatment

1. Value-added tax

- (1) Revenue from export: The Group is an enterprise engaged in production and operation. Tax relief, credit and rebate policy is applicable to all of its self-produced goods for export. The tax rebate rate is 13% for ship products, and 9% for steel structure products.
- (2) Revenue from military products: Value-added tax is exempted for military production (order) contracts upon completion of the relevant procedures for tax relief.
- (3) Revenue from software: In accordance with the Circular of the State Administration of Taxation of the Ministry of Finance on the Value-added Tax Policy of Software Products (Cai Shui [2011] No. 100), for sales of self-developed software by some subsidiaries of the Group, the portion of actual value-added tax burden in excess of 3% may be recovered upon payment in accordance with the relevant policy.
- (4) According to the relevant regulations of the "Announcement on the Policies Concerning the Deepening of Value-Added Tax Reform" (Announcement of the, Ministry of Finance, State Administration of Taxation and General Administration of Customs [2019] No. 39), some of the subsidiaries of the Group, as production and life service companies, will be deductible input VAT plus 10% from 1 April 2019 to 31 December 2021, deducting VAT payables.

2. Property tax

The Company, Huangpu Wenchong, Wenchong Shipyard and Huangchuan Offshore Engineering were reduced or exempted by the competent tax bureau this year.

3. Land use tax

Huangpu Wenchong and Huangchuan Offshore Engineering were reduced by the competent tax bureau this year.

4. Enterprise income tax

- (1) Huangpu Wenchong, Wenchuan Heavy Industrial and Wenchong Shipyard obtained the Certificate of Hitech Enterprise, with a validity period of three years, and enterprise income tax of these enterprises for this year was paid at a rate of 15%;
- (2) Zhanjiang Nanhai, Xingji, Wenchong Bingshen, CSSC Internet and CSSC New Energy are small low-profit enterprises, with the income tax rate of 20% for this year;

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

V. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

Category	Ending balance	Beginning balance
Cash	55,083.55	206,485.11
Bank deposits	5,719,312,024.76	10,683,284,305.88
Other cash at bank and on hand	3,048,383,016.18	3,633,875,308.94
Total	8,767,750,124.49	14,317,366,099.93

Including: Total amount deposited overseas 7,241,163.01 127,223,129.96

Including: Breakdown of restricted cash at bank and on hand

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	2,857,500,000.00	3,497,000,000.00
Foreign exchange forward contract bond	4,009,010.06	25,200,152.81
Deposit for bank acceptance bills	51,346,416.93	
Deposit for letters of guarantee and letters of credit	4,486,002.03	88,191,044.05
Project security deposit		6,423,779.98
Special housing fund for employees	17,331,705.44	17,046,832.10
Other deposits		13,500.00
Interest on fixed deposits	113,709,881.72	
Total	3,048,383,016.18	3,633,875,308.94

Note: The amount deposited overseas of the Group at the end of the year is the deposit of its Hong Kong subsidiaries.

(2) Financial assets held-for-trading

1. Types of financial assets held-for-trading

Category	Ending balance	Beginning balance
Classified as financial assets at fair value through profit or loss	862,076,236.61	
Including: Investment in debt instruments		
Investments in equity instruments	1,642,611.95	
Entrusted wealth management	672,125,000.00	
Structured deposits	188,308,624.66	
Financial assets at fair value through profit or loss	193,115,008.10	48,785,784.80
Including: Forward exchange contracts	193,115,008.10	48,785,784.80
Total	1,055,191,244.71	48,785,784.80

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Financial assets held-for-trading are analysed as follows :

Item	Ending balance	Beginning balance
Listed	1,642,611.95	
Unlisted	1,053,548,632.76	48,785,784.80
Total	1,055,191,244.71	48,785,784.80

Note: The Group's financial assets at fair value through profit or loss are all forward exchange contracts. At measurement date, the public price of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The prevailing benchmark loan interest rate promulgated by the People's Bank of China is chosen to be discount rate. The fair value is calculated according to the formula as follows.

As for forward foreign exchange settlement contract, choose the highest price to be input value, fair value = exchange price x (contract rate – quoted price)/discount rate Number of years.

As for forward foreign exchange purchase contract, choose the lowest quoted price to be input value, fair value = exchange price x (quoted price – contract rate)/discount rate Number of years.

If the fair value derived is positive, the Company discloses it under "Financial assets held-for-trading"; if negative, then discloses it under "Financial liabilities held-for-trading".

(3) Notes receivable

Category	Ending balance	Beginning balance
Bank acceptance bills	46,528,161.34	563,453,834.95
Commercial acceptance bills	115,096,846.29	70,111,028.65
Loss: provision for bad debts		
Total	161,625,007.63	633,564,863.60

1. Notes receivable pledged as at the end of the year:

None

2. Notes receivable which have been endorsed or discounted at the end of the year to other party but not yet expired at the balance sheet date

Item	Amount derecognized as at the end of the year	Amount not derecognized as at the end of the year
Bank acceptance bills	249,840,814.02	
Commercial acceptance bills		
Total	249,840,814.02	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Notes transferred to accounts receivable at the end of year due to non-performance of drawers:

None

4. Disclosure by the method using which the provision for bad debts is made

Type	Ending balance				Carrying Value
	Book balance Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts made on a collective basis	161,625,007.63	100.00			161,625,007.63
Including: Due within one year	161,625,007.63	100.00			161,625,007.63
Total	161,625,007.63	-			161,625,007.63

(Continued)

Type	Beginning balance				Carrying Value
	Book balance Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts made on a collective basis	633,564,863.60	100.00			633,564,863.60
Including: Due within one year	633,564,863.60	100.00			633,564,863.60
Total	633,564,863.60	-			633,564,863.60

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(4) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	1,264,356,804.96	2,390,628,704.48
Less: Provision for bad debts	19,939,868.35	40,248,264.38
Net amount	1,244,416,936.61	2,350,380,440.10

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

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within one year	1,020,874,824.44	676,279.81	0.07
1-2 years	196,065,663.17	10,628,194.20	5.42
2-3 years	45,380,995.05	7,685,016.85	16.93
3-4 years	1,348,776.86	950,377.49	70.46
4-5 years			
Over 5 years	686,545.44		0.00
Total	1,264,356,804.96	19,939,868.35	-

(Continued)

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

2. Credit period of accounts receivable

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Disclosure of accounts receivable

Type	Ending balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Accounts receivable for provision for bad debts assessed on an individual basis					
Including: Accounts receivable of which the credit risk has significantly increased since initial recognition					
Accounts receivable for provision for bad debts made on a collective basis	1,264,356,804.96	100.00	19,939,868.35	1.58	1,244,416,936.61
Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	1,264,356,804.96	100.00	19,939,868.35	1.58	1,244,416,936.61
Total	1,264,356,804.96	-	19,939,868.35	-	1,244,416,936.61

(Continued)

Type	Beginning balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Accounts receivable for provision for bad debts assessed on an individual basis	28,437,630.23	1.19	28,437,630.23	100.00	
Including: Accounts receivable of which the credit risk has significantly increased since initial recognition	28,437,630.23	1.19	28,437,630.23	100.00	
Accounts receivable for provision for bad debts made on a collective basis	2,362,191,074.25	98.81	11,810,634.15	0.50	2,350,380,440.10
Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	2,362,191,074.25	98.81	11,810,634.15	0.50	2,350,380,440.10
Total	2,390,628,704.48	-	40,248,264.38	-	2,350,380,440.10

(1) Accounts receivable assessed individually for provision for bad debts at the end of the year

None

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Accounts receivable with provision for bad debts on a collective basis

Portfolio	Ending balance		
	Accounts receivable	Ratio	Provision for bad debts
Amounts receivable from related parties	53,941,896.58	4.27	
Portfolio of deposit and security deposit that are not past due	6,782,799.30	0.54	
Portfolio of government units and public institutions	410,945,763.14	32.50	
Ageing portfolio	792,686,345.94	62.69	19,939,868.35
Total	1,264,356,804.96	100.00	19,939,868.35

Breakdown of ageing on a collective basis:

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of Provision (%)
Within one year (including one year)	659,599,709.21	676,279.81	0.10
1 to 2 years	106,281,942.06	10,628,194.20	10.00
2 to 3 years	25,616,722.81	7,685,016.85	30.00
3 to 4 years	1,187,971.86	950,377.49	80.00
Total	792,686,345.94	19,939,868.35	

4. Movements on provision for bad debts in respect of accounts receivable

Type	Change in the year						Ending balance
	Beginning balance	Provision made	Recovered or reversed	Offset or written off	Change of consolidation scope	Other changes	
Provision for bad debts in respect of accounts receivable	40,248,264.38	12,609,284.48	-2,348,470.90		-27,132,524.53	-3,436,685.08	19,939,868.35

(1) Accounts receivable written-off during the year

None

(2) Significant provision for bad debts recovered or reversed during the year

Name of entity	Amount reversed or recovered	Way of recovery
Universal Dockyard Limited, Hong Kong	2,307,325.40	Equity certificate received after liquidation
Fuzhou Hongjia Electronic Technology Company	20,000.00	Recovery of cash after continuous effort
Shanhaiguan Shipbuilding Heavy Industry Co., Ltd. (山海關造船重工有限責任公司)	21,145.50	After its restructuring, payment was made after communication
Total	2,348,470.90	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

5. Top five accounts receivable by ending balance of debtors

Name of entity	Ending balance	Percentage of ending balance of total accounts receivable (%)	Balance of provision for bad debts
Unit 1	166,061,000.00	13.13	
Unit 2	155,291,689.65	12.28	3,628,257.80
Unit 3	104,996,030.28	8.30	
Unit 4	104,333,760.34	8.25	
Unit 5	87,116,068.00	6.89	
Total	617,798,548.27	48.86	3,628,257.80

6. Accounts receivables derecognized arising from transfer of financial assets

None

7. Amount of assets and liabilities transferred from accounts receivable with continuing involvement

None

(5) Prepayments

1. Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	608,841,323.57	49.97	1,331,088,244.92	56.90
1 to 2 years	86,598,324.14	7.11	360,732,537.39	15.42
2 to 3 years	51,282,662.06	4.21	208,235,999.40	8.90
Over 3 years	471,664,239.14	38.71	439,204,417.50	18.78
Total	1,218,386,548.91	-	2,339,261,199.21	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Significant prepayments aged over 1 year:

Name of the entity	Relationship with the Group	Ending balance	Of which aged over one year	Amount aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for unsettlement
China Shipbuilding Trading Shanghai Co., Ltd.	Under common control of CSSC	235,995,152.19	235,607,648.19	19.34	Less than 1 year and over 3 years	Large equipment received in batches and inspected and accepted
The China Engineers, Limited	Third party	32,324,779.99	32,324,779.99	2.65	Over 3 years	Large equipment received in batches and inspected and accepted
MTU Asia Pte. Ltd.	Third party	29,916,617.97	29,916,617.97	2.46	2 to 3 years and over 3 years	Large equipment received in batches and inspected and accepted
Tognum Aisa Ltd.	Third party	28,854,422.00	28,854,422.00	2.37	Over 3 years	Large equipment received in batches and inspected and accepted
CNR (Dalian) Diesel & Special Hudong Co. Ltd. (北車(大連)柴油及特種裝備有限公司)	Third party	9,360,000.00	9,360,000.00	0.77	Over 3 years	Large equipment received in batches and inspected and accepted
Siemens AG	Third party	6,215,114.88	6,215,114.88	0.51	Over 3 years	Large equipment received in batches and inspected and accepted
Total		342,666,087.03	342,278,583.03	28.10		

2. Top five prepayments

Name of the entity	Ending balance	Ageing	Percentage of total prepayments (%)
China Shipbuilding Trading (Shanghai) Co., Ltd	235,995,152.19	Less than 1 year and over 3 years	19.37
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd	171,684,013.63	Within 1 year	14.09
China Shipbuilding Trading Co., Ltd.	111,153,965.30	Within 1 year	9.12
Hudong Heavy Machinery Co., Ltd	39,420,000.00	Within 1 year	3.24
China Shipbuilding Industry Corporation 724 Research Institute	34,412,400.00	Within 1 year	2.82
Total	592,665,531.12		48.64

(6) Other receivables

Category	Ending balance	Beginning balance
Interest receivable		8,794,796.77
Dividend receivable		
Other receivables	132,470,963.43	1,813,253,902.39
Total	132,470,963.43	1,822,048,699.16

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

1. Interest receivables

(1) Breakdown of interest receivable

Item	Ending balance	Beginning balance
Fixed deposit		7,516,364.58
Entrusted loan		292,144.66
Entrusted wealth management		986,287.53
Total		8,794,796.77

(2) Significant overdue interest

As at the end of the year, the Group had no overdue interest receivable.

(3) Information on provision for bad debts made for interest receivable

None

2. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	132,792,392.12	1,858,170,552.13
Less: Provision for bad debts	321,428.69	44,916,649.74
Net amount	132,470,963.43	1,813,253,902.39

(1) Breakdown of other receivables by nature

Nature of amount	Ending balance	Beginning balance
Refundable deposit	53,543,972.74	147,558,550.16
Temporary payments receivables	101,138.36	51,620,457.81
Reserve funds	6,411,464.07	18,761,738.07
Land storage compensation receivable		713,005,660.38
Land disposal compensation receivable		686,000,000.00
Other current amount	72,735,816.95	241,224,145.71
Total	132,792,392.12	1,858,170,552.13

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Provision for bad debts made for other receivables

Provision for bad debts	Stage 1 Expected credit losses for next 12 months	Stage 2 Expected credit losses during the whole life span (not credit impaired)	Stage 3 Expected credit losses during the whole life span (credit impaired)	Total
Beginning Balance		9,226,451.84	35,690,197.90	44,916,649.74
Beginning balance after reassessment for the current year	-	-	-	-
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the year	240,628.80	-4,485,836.06	31,510.11	-4,213,697.15
Reversed during the year				
Written off during the year				
Other changes		-4,659,815.89	-35,721,708.01	-40,381,523.90
Ending balance	240,628.80	80,799.89		321,428.69

- ① Information on the book balance of provision for bad debts made for other receivables on a collective basis at stage 1:

Name of portfolio	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	59,280,466.64	10,653.79	0.02
1-2 years	71,419,586.32	229,975.01	0.32
2-3 years	1,847,895.99		
3-4 years			
4-5 years	51,508.00		
Over 5 years	49,250.00		
Total	132,648,706.95	240,628.80	-

- ② Information on the book balance of provision for bad debts made for other receivables on a collective basis at stage 2:

Name of portfolio	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)			
1-2 years			
2-3 years	68,296.48	20,488.94	30.00
3-4 years	19,178.36	15,342.69	80.00
4-5 years	56,210.33	44,968.26	80.00
Total	143,685.17	80,799.89	-

- ③ Information on the book balance of provision for bad debts made for other receivables on an individual basis at stage 3:

None

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Ageing analysis of other receivables

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year	59,280,466.64	10,653.79	0.02
1-2 years	71,419,586.32	229,975.01	0.32
2-3 years	1,916,192.47	20,488.94	1.07
3-4 years	19,178.36	15,342.69	80.00
4-5 years	107,718.33	44,968.26	41.75
Over 5 years	49,250.00		
Total	132,792,392.12	321,428.69	-

(Continued)

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	1,714,973,662.44	5,691,602.37	0.33
1-2 years	61,696,489.50	308,482.45	0.50
2-3 years	31,601,834.50	178,009.17	0.56
3-4 years	2,416,556.28	12,082.78	0.50
4-5 years	1,789,859.70	1,022,969.46	57.15
Over 5 years	45,692,149.71	37,703,503.51	82.52
Total	1,858,170,552.13	44,916,649.74	-

(4) Provision for bad debts

Type	Beginning balance	Provision made	Change in the year				Ending balance
			Recovered or reversed	Offset or written off	Change in scope of consolidation	Other changes	
Provision for bad debts of other receivables	44,916,649.74	-4,213,697.15			-40,381,297.90	-226.00	321,428.69
Total	44,916,649.74	-4,213,697.15			-40,381,297.90	-226.00	321,428.69

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(5) Significant provisions for bad debts recovered or reversed during the year

None

(6) Significant other receivables actually written off during the reporting period

None

(7) Top five other receivables by ending balance of debtors

Name of creditor	Nature of amount	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debt
Shenzhen-Zhongshan Bridge Management Centre	Refundable deposits	38,526,178.00	1-2 years	29.01	
People's Insurance Company of China Guangzhou Branch	Estimated insurance claims	29,754,245.28	Within one years	22.41	8,771.22
CSSC Nanjing Luzhou Machine Co., Ltd.	Heavy claims	25,187,060.81	1-2 years	18.97	
Guangxin Maritime Heavy Industry Co., Ltd.	Security deposit	8,000,000.00	1-2 years	6.02	
Ping An Property & Casualty Insurance Company of China	Estimated insurance claims	5,240,000.00	Within six months	3.95	
Total	–	106,707,484.09	–	80.36	8,771.22

(8) Other receivables related to government grants

None.

(9) Other receivables derecognised arising from transfer of financial assets:

None.

(10) Transfer of other receivables, such as securitization, factoring, etc., continue to involve amounts of assets and liabilities formed

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(7) Inventories

1. Breakdown of inventories

Type of inventories	Ending balance			Beginning balance		
	Book balance	Provision for fall in value/ provision for impairment	Carrying value	Book balance	Provision for fall in value/ provision for impairment	Carrying value
Raw materials	541,377,625.59	3,960,760.93	537,416,864.66	1,124,254,389.19	24,232,953.64	1,100,021,435.55
Work in progress	3,637,267,531.70	354,741,375.43	3,282,526,156.27	532,807,375.07	60,449,211.61	472,358,163.46
Finished goods				27,764,003.62		27,764,003.62
Contract performance cost	379,310,044.01		379,310,044.01	2,964,277,662.49	248,512,571.37	2,715,765,091.12
Goods in transit	56,959.18		56,959.18	28,898,298.75		28,898,298.75
Total	4,558,012,160.48	358,702,136.36	4,199,310,024.12	4,678,001,729.12	333,194,736.62	4,344,806,992.50

2. Changes in provision for impairment of inventories and provision for impairment of contract performance cost

Type of inventories	Beginning balance	Increase for the year		Decrease for the year			Ending balance
		Provision made	Other increases	Reversal	Transfer-out	Other decreases	
Raw materials	24,232,953.64	2,128,071.36			445,689.13	21,954,574.94	3,960,760.93
Work in progress	60,449,211.61	291,661,070.51	278,291,046.46	16,777,163.05	6,154,475.86	252,728,314.24	354,741,375.43
Finished goods		286,613.34			286,613.34		
Contract performance cost	248,512,571.37	41,478.78	49,947,210.74		2,038,262.76	296,462,998.13	
Total	333,194,736.62	294,117,233.99	328,238,257.20	16,777,163.05	8,925,041.09	571,145,887.31	358,702,136.36

3. Provision for impairment of inventories made

Item	Basis for determination of net realisable value	Reason for reversal or offsetting during the year
Raw materials	Book cost higher than net realisable value (estimated disposal proceeds less taxes)	Production and reuse
Work in progress	Book cost higher than net realisable value (estimated selling price less related costs and expenses, etc.)	Completed for sale
Finished goods	Book cost higher than net realisable value (estimated selling price less taxes)	Completed for sale

4. Note on capitalised borrowing costs included in ending balance of inventory

None.

5. Note on amount of amortisation of contract performance cost for the year

The amount of amortisation of contract performance cost for the year was transferred to operating cost.

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(8) Contract assets

1. Information on contract assets

Item	Ending balance		Beginning balance			
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets related to shipbuilding	3,822,880,027.48		3,822,880,027.48	5,685,032,733.14		5,685,032,733.14
Contract assets related to offshore engineering products				424,128,664.25		424,128,664.25
Contract assets related to steel structures	622,508,898.81		622,508,898.81	227,223,965.73		227,223,965.73
Total	4,445,388,926.29		4,445,388,926.29	6,336,385,363.12		6,336,385,363.12

2. Amount and reason for significant changes in carrying values of contract assets during the year

Item	Amount of change	Reason for change
Contract assets relating to shipbuilding	-1,862,152,705.66	The contract is being performed and the date of recognition of contract revenue recognised based on contract performance progress is earlier or later than the date of receipt of consideration on due date; GSI is no longer included in the scope of consolidation this year, which also led to a significant change during the year.
Contract assets relating to steel structure engineering	-424,128,664.25	
Contract assets relating to offshore engineering products	395,284,933.08	
Total	-1,890,996,436.83	

3. Information on provision for impairment of contract assets during the year

As at the end of the year, all of the balances of contract assets of the Group arose from normal performance of contracts, and the date due for contractual payment had not arrived. No provision for impairment was made.

(9) Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Long-term receivables due within one year		667,000,000.00	
Entrusted loan due within one year		25,000,000.00	
Total		692,000,000.00	

(10) Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	577,776,249.50	318,300,110.73
Prepaid enterprise income tax	107,866.25	32,550,785.04
Total	577,884,115.75	350,850,895.77

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(11) Long-term receivables

1. Information on long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value	
Receipt in instalments for sale of goods	2,061,116,322.61	64,508,442.25	1,996,607,880.36	2,400,500,856.47	119,060,692.52	2,281,440,163.95	4%~8%
Compensation for assets relocation				427,369,289.39	5,672,178.78	421,697,110.61	3.07%
Total	2,061,116,322.61	64,508,442.25	1,996,607,880.36	2,827,870,145.86	124,732,871.30	2,703,137,274.56	

2. Provision for bad debts made for long-term receivables

Provision for bad debts	Stage 1 Expected credit losses for ext 12 months	Stage 2 Expected credit losses during the whole life span (not credit impaired)	Stage 3 Expected credit losses during the whole life span credit impaired)	Total
Beginning balance		5,941,060.12	118,791,811.18	124,732,871.30
Beginning balance for the year	-	-	-	-
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the year		-95.31		-95.31
Reversed during the year			-54,283,368.93	-54,283,368.93
Offset during the year				
Written off during the year				
Other changes		-5,940,964.81		-5,940,964.81
Ending balance			64,508,442.25	64,508,442.25

(1) Information on the book balance of provision for bad debts made for long-term receivables on a collective basis at stage 2:

None.

(2) Information on the book balance of provision for bad debts made for long-term receivables on an individual basis at stage 3:

Name of entity	Book balance	Amount of bad debts	Percentage of provision (%)	Reasons for provision
LOMAR Shipping	181,111,617.09	13,236,595.21	7.31	
Guangdong Yuanyang Transportation Co., Ltd.	141,351,968.44	29,850,393.69	21.12	
SHAOSHAN EIGHT SHIPPING LIMITED	122,146,914.64	10,544,653.35	8.63	Note
Shenzhen Shunchang Ocean Fishery Co., Ltd.	16,628,000.00	10,876,800.00	65.41	
Total	461,238,500.17	64,508,442.25	-	-

Note: The above long-term receivables had been overdue, for which the Group recognised provision for bad debts based on the expected future net recoverable cash flows.

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From 1 January 2020 to 31 December 2020

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3. Long-term receivables derecognised arising from transfer of financial assets:

None.

4. Amounts of assets and liabilities transferred from long-term receivables with continuing involvement:

None.

(12) Long-term equity investments

1. Breakdown of long-term equity investments

Investee	Beginning balance	Increase in investment	Decrease in investment	Change for the year					Ending balance	Provision for impairment
				Investment gain or loss recognised using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision for impairment made		
I. Sub-total for joint ventures	51,523,979.27	27,901,825.00		249,194.26					-79,674,998.53	
Guangzhou Zhongshan Ship Design Co., Ltd.	1,215,232.17			-290,911.57					-94,320.60	
Nanfeng Environment Co., Ltd.	50,308,747.10	27,901,825.00		540,105.83					-78,750,677.93	
II. Sub-total for associates	702,171,059.45	8,880,000.00	4,000,000.00	102,931,680.93	-1,977,674.93	666,322.00			4,129,636,259.65	4,938,277,647.10
Guangzhou Shipyard International Company Limited				101,324,677.18	-1,977,674.93	666,434.25			4,825,615,654.18	4,925,619,080.98
CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	2,597,299.25	8,880,000.00		1,161,256.67						12,658,556.12
CSSC Chengxi Yangzhou Shipbuilding Company Limited	641,426,266.34			220,659.20					-641,647,147.54	
Zhejiang Modern Power Generation Equipment Co., Ltd.	45,961,492.72			3,069.84		9,887.45			-45,974,450.01	
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	3,818,768.45			900.37					-3,819,668.82	
Maiyu Environmental Technology (HK) Co., Ltd.	8,367,210.69								-8,367,210.69	
Guangzhou Nanhuan Environmental Service Co., Ltd.			4,000,000.00	453,489.98					3,546,500.02	
Zhongnan environmental science and technology Co., Ltd.				-282,582.51					282,582.51	
Total	753,695,038.72	36,781,825.00	4,000,000.00	103,150,975.19	-1,977,674.93	666,322.00			4,049,951,261.12	4,938,277,647.10

Note: Guangzhou Shipyard International Company Limited converted from a subsidiary to an associate on 1 March 2020, and adopted the equity method for accounting. For details, please refer to Note VI (2).

2. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	4,938,277,647.10	753,695,038.72
Total	4,938,277,647.10	753,695,038.72

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(13) Investments in other equity instruments

1. Information on investments in other equity instruments

Item	Ending balance	Beginning balance
Investments in other equity instruments	3,923,780,494.34	71,248,734.49
Including: At fair value through other comprehensive income	3,923,780,494.34	71,248,734.49
Total	3,923,780,494.34	71,248,734.49

2. Analysis of other equity instruments

Item	Ending balance	Beginning balance
Listed	3,888,828,346.79	6,556,991.46
Including: China (except Hong Kong)	3,849,932,273.00	6,556,991.46
Unlisted	34,952,147.55	64,691,743.03
Total	3,923,780,494.34	71,248,734.49

3. Breakdown of other equity instruments

Item	Ending balance			Beginning balance		
	Book cost	Change in fair value	Carrying value	Book cost	Change in fair value	Book value
Sub-total of listed	2,901,754,058.93	987,074,287.86	3,888,828,346.79	8,081,043.86	-1,524,052.40	6,556,991.46
Chongqing Iron and Steel				6,925,546.56	-3,443,953.86	3,481,592.70
Bank of Communications	1,155,497.30	1,291,711.66	2,447,208.96	1,155,497.30	1,919,901.46	3,075,398.76
CSSC	2,857,883,200.00	989,601,864.04	3,847,485,064.04			
CMIC OCEAN EW TECH HOLDING CO.,LTD	42,715,361.63	-3,819,287.84	38,896,073.79			
Sub-total of unlisted	8,314,465.46	26,637,682.09	34,952,147.55	30,250,559.74	34,441,183.29	64,691,743.03
CSSC Finance Company Limited	5,828,000.00	21,318,379.81	27,146,379.81	5,828,000.00	21,135,546.68	26,963,546.68
Huangpu Hongshan Community Health Service Center	1,200,000.00	1,297,399.11	2,497,399.11	1,200,000.00	1,540,941.91	2,740,941.91
China Shipbuilding IT Co., Ltd.	800,000.00	3,494,475.00	4,294,475.00	1,700,000.00	5,178,968.12	6,878,968.12
CSIC Yuanzhou (Beijing) Science & Technology Co., Ltd.				1,000,000.00	5,442,251.01	6,442,251.01
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46	495,734.60	875,775.06	380,040.46	1,507,494.46	1,887,534.92
Guangzhou Xinzhou Service Co., Ltd.	106,425.00	31,693.57	138,118.57	106,425.00	-44,279.16	62,145.84
CSSC Liner Technology Development Co., Ltd.				20,036,094.28	-319,739.73	19,716,354.55
CSSC Heavy Equipment Co., Ltd.						
Nanjing Tongchuang Computer Co., Ltd.						
Total	2,910,068,524.39	1,013,711,969.95	3,923,780,494.34	38,331,603.60	32,917,130.89	71,248,734.49

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4. Information on investments in equity instruments not held for trading

Item	Dividend income recognised during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Sub-total of listed	172,069.38	990,893,575.70	3,819,287.84			
China CSSC Hold-ings Ltd.		989,601,864.04			Investments not held for trading	
CMICOCEANEWTECHHOLD-INGCO.,LTD			3,819,287.84		Investments not held for trading	
Bank of Communications Co., Ltd.	172,069.38	1,291,711.66			Investments not held for trading	
Sub-total of unlisted	1,497,255.80	26,637,682.09				
CSSC Finance Company Limited	1,380,581.20	21,318,379.81			Investments not held for trading	
China Shipbuilding IT Co., Ltd.	2,830.50	3,494,475.00			Investments not held for trading	
Huangpu Hongshan Community Health Service Center		1,297,399.11			Investments not held for trading	
Guangzhou Wen-chuan Industrial Co., Ltd.	101,344.10	495,734.60			Investments not held for trading	
Guangzhou Xinzhou Service Co., Ltd.	12,500.00	31,693.57			Investments not held for trading	
Nanjing Tongchuang Computer Co., Ltd.					Investments not held for trading	
CSSC Heavy Equipment Co., Ltd.					Investments not held for trading	
Total	1,669,325.18	1,017,531,257.79	3,819,287.84			

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(14) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance	29,171,739.00	29,171,739.00
2. Increase for the year	157,433,262.96	157,433,262.96
(1) Transfer from fixed assets	157,433,262.96	157,433,262.96
3. Decrease for the year	29,171,739.00	29,171,739.00
Of which: Decrease in scope of consolidation	29,171,739.00	29,171,739.00
4. Ending balance	157,433,262.96	157,433,262.96
II. Accumulated depreciation and amortisation		
1. Beginning balance	8,177,799.64	8,177,799.64
2. Increase for the year	8,276,566.65	8,276,566.65
(1) Provision made or amortisation	104,785.35	104,785.35
(2) Transfer from fixed assets	8,171,781.30	8,171,781.30
3. Decrease for the year	8,282,584.99	8,282,584.99
Of which: Decrease in scope of consolidation	8,282,584.99	8,282,584.99
4. Ending balance	8,171,781.30	8,171,781.30
III. Carrying value		
1. Carrying value at the end of the year	149,261,481.66	149,261,481.66
2. Carrying value at the beginning of the year	20,993,939.36	20,993,939.36

Other description:

- The depreciation and amortisation of investment properties recognised in profit or loss during the year is RMB104,785.35 (last year: RMB628,712.16).
- The provision for impairment of investment properties made for the year is RMB0.00 (last year: RMB0).
- Investment properties analysed by region and ageing are as follows:

Item	Ending balance	Beginning balance
Within China	149,261,481.66	20,993,939.36
Medium term (10-50 years)	149,261,481.66	20,993,939.36
Total	149,261,481.66	20,993,939.36

2. Investment properties without property ownership certificates:

As at the end of the year, included in properties held for investment were with carrying amount of RMB 149,261,481.66 for which the property ownership certificates were being applied for. Given the aforesaid properties were in compliance with the relevant legal procedures, the Board believes that the transfer of its title will not meet any substantial obstacle or affect their normal use by the Group and will have no material impact on the normal operation of the Group. As such, no provision for impairment is required for investment properties and there will be no additional material costs.

Item	Carrying value	Reason for failure to obtain property ownership certificates
Hull joint workshop	80,837,019.45	In the process of obtaining ownership certificates
Component welding workshop	64,706,567.07	In the process of obtaining ownership certificates
Sanding and coating workshop	3,717,895.14	In the process of obtaining ownership certificates
Total	149,261,481.66	–

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(15) Fixed assets

Type	Ending balance	Beginning balance
Fixed assets	3,951,950,865.11	11,436,680,670.98
Disposal of fixed assets	348,388.39	3,248,018.71
Total	3,952,299,253.50	11,439,928,689.69

1. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning balance	10,807,615,398.51	5,881,529,503.89	1,156,875,264.30	461,431,877.68	18,307,452,044.38
2. Increase for the year	286,138,190.50	158,990,594.10	20,015,750.76	18,894,185.16	484,038,720.52
(1) Additions		3,673,805.94	210,166.32	299,330.15	4,183,302.41
(2) Transfer from construction in progress	286,138,190.50	131,060,353.25	19,739,205.13	18,026,955.29	454,964,704.17
(3) Transfer from inventories					
(4) Increase in scope of consolidation		24,256,434.91	66,379.31	567,899.72	24,890,713.94
3. Decrease for the year	8,051,827,893.34	3,711,584,159.84	177,705,620.69	295,921,918.84	12,237,039,592.71
(1) Disposal or retirement	131,806,119.95	38,152,825.88	6,335,337.54	12,860,461.23	189,154,744.60
(2) Decrease in scope of consolidation	7,762,588,510.43	3,673,431,333.96	171,370,283.15	283,061,457.61	11,890,451,585.15
(3) Re-classification to properties held for investment	157,433,262.96				157,433,262.96
4. Ending balance	3,041,925,695.67	2,328,935,938.15	999,185,394.37	184,404,144.00	6,554,451,172.19
II. Accumulated depreciation					
1. Beginning balance	3,011,932,182.66	3,120,079,178.69	350,583,663.28	314,861,990.30	6,797,457,014.93
2. Increase for the year	142,954,544.71	139,730,323.79	38,449,852.45	24,752,088.26	345,886,809.21
(1) Provision made	142,954,544.71	138,648,225.85	38,441,181.69	24,587,395.94	344,631,348.19
(2) Increase in scope of consolidation		1,082,097.94	8,670.76	164,692.32	1,255,461.02
3. Decrease for the year	2,225,015,864.37	2,046,499,828.08	143,678,807.36	195,999,847.65	4,611,194,347.46
(1) Disposal or retirement	84,311,300.94	33,648,878.64	5,940,628.39	12,217,014.77	136,117,822.74
(2) Decrease in scope of consolidation	2,132,532,782.13	2,012,850,949.44	137,738,178.97	183,782,832.88	4,466,904,743.42
(3) Re-classification to properties held for investment	8,171,781.30				8,171,781.30
4. Ending balance	929,870,863.00	1,213,309,674.40	245,354,708.37	143,614,230.91	2,532,149,476.68
III. Provision for impairment					
1. Beginning balance		5,783,894.64	67,424,958.03	105,505.80	73,314,358.47
2. Increase for the year					
(1) Transfer from impairment for fall in price of inventories					
(2) Increase in scope of consolidation					
3. Decrease for the year		2,941,797.71		21,730.36	2,963,528.07
(1) Disposal or retirement				21,730.36	21,730.36
(2) Transfer-out from decrease in scope of consolidation		2,941,797.71			2,941,797.71
4. Ending balance		2,842,096.93	67,424,958.03	83,775.44	70,350,830.40
IV. Carrying value					
1. Carrying value at the end of the period	2,112,054,832.67	1,112,784,166.82	686,405,727.97	40,706,137.65	3,951,950,865.11
2. Carrying value at the beginning of the year	7,795,683,215.85	2,755,666,430.56	738,866,642.99	146,464,381.58	11,436,680,670.98

Other description:

The depreciation of fixed assets recognised in profit or loss during the year is RMB344,631,348.19 (last year: RMB724,752,347.33).

Included in fixed assets added during the year is transfer from construction in progress of RMB454,964,704.17.

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(2) Fixed assets leased through finance leases

None.

(3) Fixed assets leased out through operating leases

Item	Carrying value
Buildings and structures	12,529,593.22
Machinery and equipment	1,166,162.75
Transportation vehicles	617,924,408.89
Other	22,182.31
Total	631,642,347.17

(4) Buildings and structures are analysed by region and ageing as follows:

Item	Ending balance	Beginning balance
Within China	2,112,054,832.67	7,781,914,977.33
Medium term (10-50 years)	2,111,350,722.29	7,621,132,139.25
Short term (within 10 years)	704,110.38	160,782,838.08
Outside China		13,768,238.52
Medium term (10-50 years)		13,768,238.52
Total	2,112,054,832.67	7,795,683,215.85

(5) Fixed assets without property ownership certificates

None.

2. Disposal of fixed assets

Item	Ending balance	Beginning balance
Machinery and equipment	348,388.39	3,248,018.71
Total	348,388.39	3,248,018.71

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(16) Construction in progress

Type	Carrying value as at the end of the year	Carrying value as at the beginning of the year
Construction projects in progress	348,779,440.60	1,181,944,326.01
Total	348,779,440.60	1,181,944,326.01

1. Construction projects in progress

(1) Basic information on construction projects in progress

Type	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Nansha Plant upgrading project				358,124,618.17		358,124,618.17
Project 8	154,547,454.34		154,547,454.34	134,075,878.75		134,075,878.75
Investment projects	25,972,512.72		25,972,512.72	127,216,847.87		127,216,847.87
Project 9	35,559,422.91		35,559,422.91	99,553,031.99		99,553,031.99
Project 7	2,076,363.40		2,076,363.40	64,178,271.47		64,178,271.47
Platform project				56,144,032.90		56,144,032.90
Workers' dormitory phase II				40,562,343.37		40,562,343.37
Residential project for workers				37,331,490.40		37,331,490.40
Residential project	35,651,749.35		35,651,749.35	35,651,749.35		35,651,749.35
Offshore platform project	30,224,122.73		30,224,122.73	33,135,547.82		33,135,547.82
Construction of residential for workers				22,370,827.65		22,370,827.65
Offshore engineering project phase I	4,858,203.43		4,858,203.43	19,291,421.14		19,291,421.14
Special payment for Shenzhen-Zhongshan Bridge				17,852,283.46		17,852,283.46
Project 5	10,303,425.37		10,303,425.37	14,752,521.60		14,752,521.60
Project 3	525,733.42		525,733.42	12,923,609.12		12,923,609.12
Other projects	49,060,452.93		49,060,452.93	108,779,850.95		108,779,850.95
Total	348,779,440.60		348,779,440.60	1,181,944,326.01		1,181,944,326.01

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(2) Changes in material construction in progress

Name of project	Beginning balance	Increase for the year	Decrease for the year		Ending balance
			Transfer to fixed assets	Other decrease	
Nansha Plant upgrading project	358,124,618.17	56,582,543.16		414,707,161.33	
Project 8	134,075,878.75	69,053,653.94	48,582,078.35		154,547,454.34
Investment projects	127,216,847.87	24,179,150.69	125,423,485.84		25,972,512.72
Project 9	99,553,031.99	63,571,289.56	127,564,898.64		35,559,422.91
Project 7	64,178,271.47	100.00	62,102,008.07		2,076,363.40
Workers' dormitory phase II	40,562,343.37	68,091.66		40,630,435.03	
Offshore platform project	33,135,547.82	54,558.50	2,965,983.59		30,224,122.73
Offshore engineering project phase I	19,291,421.14		14,433,217.71		4,858,203.43
Special payment for Shenzhen-Zhongshan Bridge	17,852,283.46			17,852,283.46	
Project 5	14,752,521.60	4,945.13	4,454,041.36		10,303,425.37
Total	908,742,765.64	213,514,332.64	385,525,713.56	473,189,879.82	263,541,504.90

Name of project	Budget amount	Ratio of project investment to budget (%)	Project progress	Accumulated interest capitalised	Of which: Interest capitalised during the year	Interest capitalisation ratio for the year (%)	Source of funding
Nansha Plant upgrading project	1,333,760,000.00	63.00	Under construction	6,644,240.76			Self-financed
Project 8	453,000,000.00	92.00	Under construction				State-subsidized/ Self-financed
Investment projects	653,000,000.00	85.00	Under construction				Self-financed/loan
Project 9	216,900,000.00	79.00	Under construction				State-subsidized/ Self-financed
Project 7	424,940,000.00	100.00	Under construction	6,066,078.94			State-subsidized/ loan/Self-financed
Workers' dormitory phase II	82,520,000.00	49.00	Under construction				Self-financed
Offshore platform project	278,630,000.00	61.00	Under construction	22,039,060.45			Self-financed/loan
Offshore engineering project phase I	700,000,000.00	100.00	Under construction	65,765,865.93			Self-financed/loan
Special payment for Shenzhen-Zhongshan Bridge	47,200,000.00	38.00	Under construction				Self-financed
Project 5	119,420,000.00	100.00	Under construction	3,045,377.25			State-subsidized/ Self-financed
Total	4,309,370,000.00	-	-	103,560,623.33	-	-	

Note: Other decreases are due to the loss of control of some shares of GSI after the Company disposes of it, and it is no longer included in the scope of consolidation and transferred out.

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(17) Right-of-use assets

Item	Land	Buildings and structures	Machines and equipment	Total
I. Original carrying amount				
1. Beginning balance	33,250,756.72	144,102,110.44	24,514,647.65	201,867,514.81
2. Increase for the year		31,363,749.98		31,363,749.98
(1) Increase in leases		31,363,749.98		31,363,749.98
3. Decrease for the year		44,839,856.89	24,326,063.68	69,165,920.57
(1) Decrease in scope of consolidation		44,839,856.89	24,326,063.68	69,165,920.57
4. Ending balance	33,250,756.72	130,626,003.53	188,583.97	164,065,344.22
II. Accumulated depreciation				
1. Beginning balance	7,452,486.24	28,790,980.60	16,272,684.96	52,516,151.80
2. Increase for the year	6,700,928.11	19,128,715.44	160,010.99	25,989,654.54
(1) Provision made	6,700,928.11	19,128,715.44	160,010.99	25,989,654.54
3. Decrease for the year		14,161,113.08	16,279,951.28	30,441,064.36
(1) Decrease in scope of consolidation		14,161,113.08	16,279,951.28	30,441,064.36
4. Ending balance	14,153,414.35	33,758,582.96	152,744.67	48,064,741.98
III. Carrying value				
1. Carrying value at the end of the year	19,097,342.37	96,867,420.57	35,839.30	116,000,602.24
2. Carrying value at the beginning of the year	25,798,270.48	115,311,129.84	8,241,962.69	149,351,363.01

Other explanations: The depreciation of right-of-use assets recognized in the profit or loss during the year is RMB25,989,654.54 (last year: RMB52,516,151.80).

(18) Intangible assets

1. Breakdown of intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	2,252,800,477.02	145,232,000.00	269,225,626.26	3,422,934.00	2,670,681,037.28
2. Increase for the year	183,765,844.90		14,746,031.72		198,511,876.62
(1) Additions	183,765,844.90		14,546,580.39		198,312,425.29
(2) Increase in scope of consolidation			199,451.33		199,451.33
3. Decrease for the year	1,422,209,058.06	145,232,000.00	197,163,947.26	2,359,259.00	1,766,964,264.32
(1) Disposal	14,780,508.50				14,780,508.50
(2) Decrease in scope of consolidation	1,407,428,549.56	145,232,000.00	197,163,947.26	2,359,259.00	1,752,183,755.82
4. Ending balance	1,014,357,263.86		86,807,710.72	1,063,675.00	1,102,228,649.58
II. Accumulated amortisation					
1. Beginning balance	390,945,189.39	31,224,879.57	175,888,796.21	48,635.12	598,107,500.29
2. Increase for the year	24,563,238.07		6,637,221.87	330,335.16	31,530,795.10
(1) Provision made	24,563,238.07		6,620,600.96	330,335.16	31,514,174.19
(2) Increase in scope of consolidation			16,620.91		16,620.91
3. Decrease for the year	275,877,398.64	31,224,879.57	139,245,908.39		446,348,186.60
(1) Disposal	4,641,917.43				4,641,917.43
(2) Decrease in scope of consolidation	271,235,481.21	31,224,879.57	139,245,908.39		441,706,269.17
4. Ending balance	139,631,028.82		43,280,109.69	378,970.28	183,290,108.79
III. Carrying value					
1. Carrying value at the end of the year	874,726,235.04		43,527,601.03	684,704.72	918,938,540.79
2. Carrying value at the beginning of the year	1,861,855,287.63	114,007,120.43	93,336,830.05	3,374,298.88	2,072,573,536.99

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Other explanations:

- (1) There were no intangible assets arising from internal research and development of the Company during the year.
- (2) The depreciation and amortisation of intangible assets recognised in profit or loss during the year is RMB31,514,174.19 (last year: RMB59,574,411.05).
- (3) Land use rights analysed by region and term:

Item	Ending balance	Beginning balance
Within China	874,726,235.04	1,861,855,287.63
Medium term (10-50 years)	874,726,235.04	1,861,855,287.63
Total	874,726,235.04	1,861,855,287.63

2. Land use rights without real estate certificates:

None.

(19) Research and development expenses

Item	Beginning balance	Increase for the year		Decrease for the year			Ending balance
		Internal research and development expenses	Others	Recognized as intangible assets	Transferred to current profit or loss	Others	Ending balance
Maine low-speed machine innovation project (Phase I)		31,492,526.66			31,492,526.66		
Research and development of Antarctic krill ships		26,128,282.26			26,128,282.26		
2019 complete equipment project of total assembly and construction of ships		23,509,416.68			23,509,416.68		
Research on key technologies of bulk carrier design and construction		23,477,965.21			23,477,965.21		
Research on new technology process of containerhips design construction		21,661,056.25			21,661,056.25		
Research on new process and tooling and research on application of new materials for ships (phase I)		20,273,122.16			20,273,122.16		
Research on high efficient construction technology of offshore wind power single piles		19,604,009.85			19,604,009.85		
Research on key technologies of design and building of marine emergency command ship for dangerous goods		17,517,667.80			17,517,667.80		
Research on key technology of design and building train transport ships		17,428,403.44			17,428,403.44		
Research on key technology of design and building platforms		17,002,121.95			17,002,121.95		
Research on key technology of design and construction of 82,000 ton bulk carrier		14,617,283.64			14,617,283.64		
High-end equipment industrial mechanism model library		14,520,192.46			14,520,192.46		
Research and development of Antarctic krill ships		13,799,808.48			13,799,808.48		
Research on key technologies for design and building of 2700TEU		17,428,403.44			17,428,403.44		
green energy-saving container ship		13,407,585.29			13,407,585.29		
Research on key technologies for the design and construction of a new type of geophysical comprehensive scientific research ship		13,348,211.89			13,348,211.89		
Research and development of new Panamax energy-saving and environmentally-friendly bulk carrier		13,217,193.94			13,217,193.94		
Research on key technologies for design and construction of pile-insertion rescue and salvage engineering ship		12,809,803.82			12,809,803.82		
Research and development of advanced manufacturing process tooling for marine engineering equipment (Phase II)		13,407,585.29			13,407,585.29		
Development and design of Italian MOBY2500 passenger/3765m Ro/PAX vessel		12,721,657.01			12,721,657.01		
Research on localized construction technology		11,386,071.22			11,386,071.22		
R&D and industrialization of large-scale deep water multifunctional wind power platform		9,275,320.30			9,275,320.30		
Research on key technologies for the design and construction of a 20,000-ton offshore floating test platform ship		8,318,537.09			8,318,537.09		
Research on key technologies for the design and construction of a 20,000-ton offshore floating test platform ship		8,148,408.06			8,148,408.06		
Research on key technologies for the design and construction of a new type of 85,000-ton Panamax bulk carrier		7,793,149.00			7,793,149.00		
Industrial Internet Platform R&D Project		7,165,203.82			7,165,203.82		

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Item	Beginning balance	Increase for the year		Decrease for the year			Ending balance
		Internal research and development expenses	Others	Recognized as intangible assets	Transferred to current profit or loss	Others	Ending balance
Development of DFDS600 Passenger/4,500 meters lane luxury Ro/Ro ships		6,893,002.58			6,893,002.58		
Research on key technology of design and construction of cylindrical floating platform		6,855,818.81			6,855,818.81		
Research on the development technology of new ship type of box ship/dredger/special ship		6,708,523.69			6,708,523.69		
Research on construction technology of stable pile platform for offshore wind power		6,370,640.65			6,370,640.65		
Research on application and promotion technology of intelligent manufacturing		6,332,679.89			6,332,679.89		
Independent research and development of the new 1900TEU container ship		5,846,277.12			5,846,277.12		
Research of common key processes and technologies for smart manufacturing of ships		4,679,277.86			4,679,277.86		
Research on key technology of design and construction of steel pipe sinking pipe in Shenzhen-Zhongshan Bridge		4,667,472.95			4,667,472.95		
Research and development of North Africa ro-ro passenger ships with 1,800 passengers		4,366,833.52			4,366,833.52		
Research on integrated application technology of intelligent logistics and fine processing delivery unit in shipbuilding process		3,987,005.71			3,987,005.71		
New welding technology and new process development and application technology research		3,949,516.23			3,949,516.23		
Research of new process		3,829,653.99			3,829,653.99		
Construction of the experimental test environment for the industrial Internet platform in the shipbuilding industry cluster of Guangdong Province		3,689,239.95			3,689,239.95		
Intelligent Ro/PAX		3,635,795.28			3,635,795.28		
Research on the key technologies of design and construction of marine patrol ship		3,606,075.90			3,606,075.90		
2350TEU container ship development		3,594,629.85			3,594,629.85		
Research an automatic welding of electric outfitting		3,534,844.21			3,534,844.21		
Research on key technologies of design and construction of 600TEU fully cold container ship		3,396,990.06			3,396,990.06		
Research on key technologies for the design and construction of large-scale patrol and rescue ships for Hainan maritime affairs		3,353,057.42			3,353,057.42		
Research on key technologies of design and construction of 4000KW marine rescue ship		3,180,071.05			3,180,071.05		
Research on key technologies for design and construction of large-scale maritime patrol ship		3,022,943.53			3,022,943.53		
Ship advanced manufacturing process tooling research and development (Phase II, including portable automatic welding and portal high-efficiency welding equipment)		2,928,790.23			2,928,790.23		
Research on new process technology based on the efficient construction of new ships		2,870,663.29			2,870,663.29		
R&D of 2038TEU-class feeder container ship		2,670,829.42			2,670,829.42		
Research on key technologies of 95,000-ton bulk carrier design and construction		2,648,591.76			2,648,591.76		
Research on key technologies for the design and construction of a new type of offshore towing work vessel		2,605,184.67			2,605,184.67		
Development of 7800KW self-propelled cutter suction dredger		2,486,329.81			2,486,329.81		
Development of 1500TEU-class containership		2,429,889.06			2,429,889.06		
Research on the key technology of sliding trolley		2,369,042.72			2,369,042.72		
Polar 2150TEU container ship development		2,320,357.48			2,320,357.48		
Research on construction technology of bridge steel formwork		2,297,905.38			2,297,905.38		
Development of 95,000-ton ICE 1A-class ice bulk carrier		2,235,795.28			2,235,795.28		
Research on the technology of digital profile blanking workshop		2,207,061.15			2,207,061.15		
Research on the solutions and key common technologies of ship segmentation intelligent manufacturing equipment		2,181,352.56			2,181,352.56		
Research on accuracy control technology of bridge general assembly		2,052,251.30			2,052,251.30		
Research on construction technology of steel box girder highway bridge		2,041,023.54			2,041,023.54		

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Item	Beginning balance	Increase for the year		Decrease for the year			Ending balance
		Internal research and development expenses	Others	Recognized as intangible assets	Transferred to current profit or loss	Others	Ending balance
Research on control technology of Installation accuracy of steel Pipe arch bridge		2,028,946.43			2,028,946.43		
Tackling key technical problems in installation of steel box girder of main bridge of long-span cable-stayed bridge		2,006,505.13			2,006,505.13		
Other projects		75,860,563.24			75,860,563.24		
Total		590,364,430.98			590,364,430.98		

(20) Goodwill

1. Original carrying amount of goodwill

Name of investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Wenchong Dockyard	144,231,195.67		144,231,195.67	
Total	144,231,195.67		144,231,195.67	

Note: Decreases are due to the loss of control of some shares of GSI after the Company disposes of it, and it is no longer included in the scope of consolidation and transferred out.

(21) Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases for the year	Ending balance
Wenchong construction channel dredging project	41,592,958.15		175,505.76	41,417,452.39	
Wenchong repair tooling	12,928,161.40		478,820.78	12,449,340.62	
Yonglian steel structure assets reform cost	8,465,996.35		381,048.68	8,084,947.67	
13-metre beam of Huangpu Shipyard Division	5,657,407.43		722,223.68		4,935,183.75
Longxue Pipe Industry Phase II Plant renovation expenses	1,879,744.67		179,023.32	1,700,721.35	
GS launching barge track tooling	1,713,329.10		244,761.30	1,468,567.80	
General tooling		15,451,544.01	515,051.46		14,936,492.55
Others	3,354,927.56	2,759,280.77	612,197.46	4,163,461.83	1,338,549.04
Total	75,592,524.66	18,210,824.78	3,308,632.44	69,284,491.66	21,210,225.34

Note: Other decreases are due to the loss of control of some shares of GSI after the Company disposes of it, and it is no longer included in the scope of consolidation and transferred out.

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(22) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deferred tax assets	Deductible temporary difference	Deferred tax assets	Deductible temporary difference
Deductible tax loss	258,023,239.48	1,518,268,263.21	214,625,329.47	1,174,440,038.72
Provision for impairment of assets	67,198,613.98	446,123,375.97	77,961,630.22	491,229,400.30
Estimated liabilities	26,331,986.61	157,861,510.00	42,330,894.48	276,737,550.32
Payroll for retiring employees	25,772,692.58	171,314,770.32	25,584,000.00	170,560,000.00
Change in fair value of financial liabilities held-for-trading			16,984,401.54	113,048,791.03
Difference in the time of amortisation of long-term prepaid expenses	247,572.65	990,290.60	416,448.58	1,665,794.32
Change in fair value of investments in other equity instruments	2,513,500.06	16,756,667.03		
Total	380,087,605.36	2,311,314,877.13	377,902,704.29	2,227,681,574.69

2. Deferred tax liabilities not offset

Item	Ending balance		Beginning balance	
	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference
Change in fair value of financial assets held-for-trading	30,045,087.89	198,875,532.91	1,829,582.57	12,197,217.11
Change in fair value of investments in other equity instruments	251,323,035.42	1,015,752,326.72	7,365,007.42	49,100,049.48
Timing difference arising from depreciation methods of fixed assets	149,058.17	903,382.86	320,337.48	2,923,337.45
Total	281,517,181.48	1,215,531,242.49	9,514,927.47	64,220,604.04

3. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	67,699,330.08	299,832,006.35
Deductible tax loss	219,030,679.46	4,191,332,921.89
Total	286,730,009.54	4,491,164,928.24

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4. Deductible loss for which no deferred tax assets are recognised will become due in the following years

Year	Ending balance	Beginning balance
2019		15,318,882.54
2020		389,601,029.28
2021	51,262,939.86	242,021,105.10
2022	1,033,109.02	116,087,719.51
2023	23,991,883.51	957,111,518.54
2024	30,902,123.98	992,260,791.61
2025	81,538,180.50	
2026		728,610,051.67
2027	4,896,219.34	10,912,447.85
2028	5,782,211.92	602,385,030.76
2029	233,487.78	137,024,345.03
2030	19,390,523.55	
Total	219,030,679.46	4,191,332,921.89

(23) Other non-current assets

Item	Ending balance	Beginning balance
Relocation expenses to be written off	313,168,786.04	75,080,399.67
Advances for non-current assets	58,820,490.99	2,939,089.67
Others	17,860,932.26	
Total	389,850,209.29	78,019,489.34

Note: Relocation expenses to be written off represented the assets disposal expense and labour costs incurred as a result of the relocation of plant of Wenchong Shipyard due to the shutdown of some docks, which will be used to offset upon the confirmation of asset transfer.

(24) Short-term borrowings

1. Breakdown of short-term borrowings

Borrowing conditions	Ending balance	Beginning balance
Guaranteed borrowings	175,094,111.11	1,220,000,000.00
Credit loans	1,874,777,555.59	4,927,082,148.56
Total	2,049,871,666.70	6,147,082,148.56

As at the end of the year, short-term borrowing of RMB175,000,000.00 was guaranteed by Huangpu Wenchong for Wenchong Shipyard.

2. Outstanding overdue short-term borrowings:

None.

3. As at the end of the year, the weighted average annual interest rate of short-term borrowings was 2.4694%.

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(25) Financial liabilities held-for-trading

Item	Ending balance	Beginning balance
Designated as financial liabilities measured at fair value and whose changes are included in the current profit or loss Including: Forward exchange contracts, etc.		221,737,672.75 221,737,672.75
Total		221,737,672.75

Note: Please refer to Note V.2.(2) for details of fair value measurement.

(26) Notes payable

Item	Ending balance	Beginning balance
Commercial acceptance bills	335,534,935.80	339,956,340.43
Bank acceptance bills	1,956,667,659.28	2,723,458,661.24
Total	2,292,202,595.08	3,063,415,001.67

Other explanations:

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 as at the end of the year, RMB2,141,752,545.05 had an ageing of less than 180 days, and RMB150,450,050.03 had an ageing of 181-360 days.

(27) Accounts payable

Account payable is non-interest-bearing and is normally settled within one year. Account payable aged over one year is mainly construction payable which will be settled after settlement.

1. Breakdown of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	4,412,415,946.52	5,215,181,835.65
Payment for projects under construction	137,357,317.66	314,301,192.54
Balance of product payment	2,439,132.81	274,200,204.00
Retention money	548,165,604.67	1,037,723,660.38
Other construction and labour services	486,755,567.71	1,845,991,006.18
Total	5,587,133,569.37	8,687,397,898.75

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2. Ageing analysis of accounts payable based on the transaction date (including accounts payable to connected persons):

Ageing	Ending balance	Beginning balance
Within one year	2,875,172,053.45	6,160,619,081.93
1-2 years	1,389,474,863.76	1,230,596,212.92
2-3 years	396,841,239.38	779,736,568.28
Over 3 years	925,645,412.78	516,446,035.62
Total	5,587,133,569.37	8,687,397,898.75

Of which, significant accounts payable aged over one year:

Name of entity	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
CSSC Systems Engineering Research Institute	482,228,246.99	134,102,460.69	Account payable and warranty
China Shipbuilding Industry Corporation 704 Research Institute	137,641,492.68	11,129,051.11	Account payable and warranty
WARTSILAFINLANDOY	126,854,316.90	126,854,316.90	Account payable and warranty
Guangzhou CSSC Wenchong Industrial Co., Ltd.	100,721,341.65	88,796,929.16	Account payable and warranty
Nanjing Kedarui Electronic Equipment Co., Ltd.	95,442,000.00	95,442,000.00	Account payable and warranty
China Shipbuilding Industry Corporation 713 Research Institute	59,428,301.73	22,199,301.73	Account payable and warranty
China Shipbuilding Industry Corporation 716 Research Institute	59,428,301.73	39,741,000.00	Account payable and warranty
China Shipbuilding Industry Corporation 707 Research Institute	53,180,465.00	22,199,301.73	Account payable and warranty
Bilfinger Engineering & Technologies GmbH	49,935,174.68	15,730,165.00	Account payable and warranty
Guangzhou Shipbuilding Industry Co., Ltd.	46,134,418.91	24,770,777.14	Account payable and warranty
China Shipbuilding Industry Corporation 726 Research Institute	38,040,000.00	30,801,841.36	Account payable and warranty
Wenzhou Bohong Electric Co., Ltd.	35,628,340.00	19,230,999.98	Account payable and warranty
CSSC Ninth Design and Research Institute Engineering Co., Ltd.	12,418,324.49	33,853,533.21	Account payable and warranty
Total	1,322,171,923.03	12,082,148.49	Account payable and warranty
		654,734,524.77	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(28) Advance from customers

Item	Ending balance	Beginning balance
Rent received in advance	7,855,200.00	
Total	7,855,200.00	

(29) Contract liabilities

1. Information on contract liabilities

Item	Ending balance	Beginning balance
Advance from customers for shipbuilding products	3,754,214,390.43	7,512,029,727.44
Advance from customers for offshore engineering products	303,900,444.87	29,338,996.42
Advance from customers for steel structures	27,518,035.03	24,326,983.67
Advance from customers for ship maintenance and modification	726,688,283.83	621,765,500.92
Advance from customers for electromechanical products and others	359,918,574.98	300,685,178.17
Total	5,172,239,729.14	8,488,146,386.62

Other explanations: The income included in the beginning carrying value of contract liabilities was recognised as RMB2,800,581,191.60 in the current year.

2. Amount and reason for significant changes in carrying value during the Reporting Period

Item	Amount of change	Reason for change
Advance from customers for shipbuilding products	-3,757,815,337.01	There was a difference between the collection progress and the progress of revenue confirmation. GSI will no longer be consolidated in the Company after the disposal of certain equity during the period, resulting in the decrease in the balance of contract liabilities.
Advance from customers for offshore engineering products	274,561,448.45	
Advance from customers for steel structures	3,191,051.36	
Advance from customers for ship maintenance and modification	104,922,782.91	
Advance from customers for electromechanical products and others	59,233,396.81	
Total	-3,315,906,657.48	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(30) Employee benefits payable

1. Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term remuneration	40,446,901.64	2,458,040,121.35	2,497,635,559.51	851,463.48
Post-employment benefits – defined contribution plans		43,339,801.26	43,339,801.26	
Termination benefits		7,516,106.16	7,516,106.16	
Total	40,446,901.64	2,508,896,028.77	2,548,491,466.93	851,463.48

2. Short-term remuneration

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Salaries, bonuses, allowances and subsidies		1,016,901,954.64	1,016,901,954.64	34,935.97
Employee benefits	4,932,421.30	38,349,098.22	43,246,583.55	
Social insurance contribution Including: Medical insurance contribution		60,379,319.48	60,379,319.48	
Work-related injury insurance contribution		51,836,601.41	51,836,601.41	
Maternity insurance contribution		453,777.22	453,777.22	
Housing fund		8,088,940.85	8,088,940.85	
Labour union & employee education funds		110,711,216.98	110,711,216.98	
Outsourcing labour costs and others	32,233,053.63	25,653,117.02	57,069,643.14	816,527.51
	3,281,426.71	1,206,045,415.01	1,209,326,841.72	
Total	40,446,901.64	2,458,040,121.35	2,497,635,559.51	851,463.48

3. Defined contribution plans

As required, the Group participates in the social insurance plans established by the government authorities. The Group makes contributions to these plans as required by local governments. The Group has no further payment obligations other than the contributions. The relevant expenses are included in current profit or loss or as the cost of the relevant assets.

The pension, annuity and unemployment plan contributions made by the Group during the year were as follows:

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		41,779,693.34	41,779,693.34	
Unemployment insurance contribution		1,560,107.92	1,560,107.92	
Total		43,339,801.26	43,339,801.26	

Note: The defined benefit plan contributions payable by the Group for the year amounted to RMB43,339,801.26 (last year: RMB223,208,183.67). As at the end of the year, contribution payable of the Group amounting to RMB0 (as at the beginning of the year: RMB0) was due and outstanding during the Reporting Period, which had been paid subsequent to the end of the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

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(31) Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	1,573,033.96	29,951,330.34
Enterprise income tax	14,361,608.03	15,052,609.15
City maintenance and construction tax	112,321.46	2,831,822.25
Property tax	192,204.97	234,491.98
Land use tax	919.92	
Individual income tax	9,227,957.11	19,367,202.94
Educational surcharge	80,229.61	2,022,730.18
Other taxes	506,547.79	2,774,376.95
Total	26,054,822.85	72,234,563.79

(32) Other payables

Type	Ending balance	Beginning balance
Interest payable		35,332,096.80
Dividends payable	304,042.49	394,042.49
Other payables	158,506,420.92	309,155,631.32
Total	158,810,463.41	344,881,770.61

1. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings for which the interest is paid in instalments and the principal is repaid when due		3,481,682.55
Interest payable on short-term borrowings		31,850,414.25
Total		35,332,096.80

As at the end of the year, the Group had no overdue outstanding interest.

2. Dividends payable

Name of the unit	Ending balance	Beginning balance	Reasons for dividends payable ages more than one year
Dividends payable for A shares	66,091.17	66,091.17	Unclaimed
Dividends payable for H shares	237,951.32	237,951.32	Unclaimed
Others		90,000.00	
Total	304,042.49	394,042.49	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Other payables

(1) Other payables by nature

Nature of payment	Ending balance	Beginning balance
Deposits received	44,232,386.80	95,646,947.29
Withholding amount for employees		45,142,854.71
Payables for temporary receipts	114,274,034.12	168,365,829.32
Total	158,506,420.92	309,155,631.32

(2) Explanation on significant other payables aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
China Rescue and salvage of Ministry of Transport of the PRC	3,157,183.29	Performance bonds
Guangzhou Zhongke self-learning examination tutorial centre	3,000,000.00	Accounts received and paid by shipowners
China Shipbuilding NDRI Engineering Co., Ltd.	2,108,710.00	Security deposit for leases
DIG Automation Engineering (Wuhan) Co., Ltd.	1,719,700.00	Security deposit for service fees
No. 5 Engineering Company of CCCC First Harbor Engineering Co. Ltd.	1,052,580.00	Performance deposit
Total	11,038,173.29	–

(33) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	2,861,561,365.21	2,239,900,000.00
Lease liabilities due within one year	22,690,932.87	42,028,067.24
Total	2,884,252,298.08	2,281,928,067.24

(34) Other current liabilities

Item	Ending balance	Beginning balance
Note endorsement amount that is not due and not terminated at the end of the period	170,770,935.16	
Advances from customers for shipbuilding orders cancelled	101,975,350.89	53,909,877.13
Output value-added tax payable	46,584,953.94	9,327,464.75
Total	319,331,239.99	63,237,341.88

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(35) Long-term borrowings

1. Classification of long-term borrowings

Type of borrowings	Ending balance	Beginning balance
Guaranteed borrowings	445,250,861.11	600,000,000.00
Credit loans	4,534,032,146.44	7,689,657,000.00
Total	4,979,283,007.55	8,289,657,000.00
The carrying amount of the above borrowings shall be repaid:		
Within one year	2,861,561,365.21	2,239,900,000.00
Over one year but less than two years after balance sheet date	835,463,375.01	4,120,000,000.00
Over two years but less than five years after balance sheet date		220,000,000.00
Over five years after balance sheet date	1,282,258,267.33	1,709,757,000.00
Less: Amount due within one year, as shown under current liabilities	2,861,561,365.21	2,239,900,000.00
Amount shown under non-current liabilities	2,117,721,642.34	6,049,757,000.00

Other explanations:

Details of guarantee: As at the end of the period, of RMB445,000,000.00 was guaranteed by the Huangpu Wenchong for Wenchong Shipyard.

Details of interest rates: Long-term borrowing interest rates mainly fluctuate in the range of 1.08-2.95%. As at the end of the year, weighted average annual interest rate of long-term borrowings was 1.6235%.

(36) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment amount	133,465,990.30	164,778,831.31
Less: Unrecognized financing cost	14,280,905.18	12,552,682.80
Less: Lease liability due within one year	22,690,932.87	42,028,067.24
Total	96,494,152.25	110,198,081.27

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(37) Long-term payables

Item	Ending balance	Beginning balance
Long term payables		2,446,823.07
Special payables		99,370,000.00
Total		101,816,823.07

Special payables

Project	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Project A	17,850,000.00		17,850,000.00	
Project B	6,720,000.00		6,720,000.00	
Project C	26,600,000.00		26,600,000.00	
Project D	4,500,000.00		4,500,000.00	
Project E	43,700,000.00		43,700,000.00	
Project F		10,000,000.00	10,000,000.00	
Project G		50,000,000.00	50,000,000.00	
Total	99,370,000.00	60,000,000.00	159,370,000.00	

Note 1: The above are state funds allocated to the projects, and as the capital investment in the Company or its subsidiaries from the state, they belong to the state exclusively when the projects have been completed and approved as qualified. The increase during the year was due to the receipt of state grant to Huangpu Wenchong, a subsidiary of the Company, the decrease during the year was due to the state grant was transferred from special payables into the capital reserve exclusive to CSSC.

(38) Long-term employee benefits payable

1. Long term employee benefits payable

Type	Ending balance	Beginning balance
Post-employment benefits – net liabilities for defined benefit plans Note	157,759,505.39	178,290,000.00
Dismissal benefits	8,883,410.00	41,932,567.33
Financial assistance for property purchase		9,166,445.00
Total	166,642,915.39	229,389,012.33

Note: The Group's defined benefit plans during the year represent the expenses of "three kinds of persons" (being retire, retired and retreated employees) recognised by Huangpu Wenchong and Wenchong Dockyard, in accordance with the relevant requirements of the State-owned Assets Supervision and Administration Commission.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Changes in defined benefit plans – present value of obligations under defined benefit plans

① Present value of obligations under defined benefit plans

Item	Amount for the year	Amount for last year
Beginning balance	178,290,000.00	196,350,606.96
Cost of defined benefits included in profit or loss for the period	5,543,200.00	16,297,124.69
1. Service cost for current period		7,365,238.78
2. Service cost for previous period		
3. Gains on settlement (Loss expressed with "-")		
4. Net interest	5,543,200.00	8,931,885.91
Cost of defined benefits included in other comprehensive income	-754,770.32	-4,538,169.27
1. Gains on settlement (Loss expressed with "-")	-754,770.32	-4,538,169.27
Other changes	-25,318,924.29	-29,819,562.38
1. Liabilities eliminated upon settlement	-7,730,000.00	
2. Benefits paid	-17,588,924.29	-29,819,562.38
Ending balance	157,759,505.39	178,290,000.00

② Changes in defined benefit plans – Net liabilities (net assets) under defined benefit plans

Item	Amount for the year	Amount for last year
Beginning balance	178,290,000.00	196,350,606.96
Cost of defined benefits included in profit or loss for the period	5,543,200.00	16,297,124.69
Cost of defined benefits included in other comprehensive income	-754,770.32	-4,538,169.27
Other changes	-25,318,924.29	-29,819,562.38
Ending balance	157,759,505.39	178,290,000.00

3. Post-employment actuarial assumptions and sensitivity analysis

(1) Actuarial calculation method: projected unit credit method

(2) Actuarial assumption

Depreciation rate: Pursuant to the China Treasury Bond yield rate, the elected specific depreciation rate was: post-employment benefits 3.5%, loss of office benefits 2.5%

Annual turnover rate: 4%

Mortality rate: China insurance experience lifespan statement (2010-2013)-Elderly care business statement for men/women

The growth rate of complementary medical benefits of existing retirees, existing internal retirees upon their official retirements, and existing employees in office upon their official retirements: 6%

The annual growth rate in cost of living of existing internal retirees: 8%

The annual growth rate in social insurance fees and housing provident funds of existing employees before their official retirement: 8%

(3) Sensitivity analysis of actuarial assumption:

Sensitivity analysis of depreciation rate	Change in present value of determining the obligation of beneficiary plan (RMB ten thousand)
Increase by 0.25 percentage points	-310
Decrease by 0.25 percentage points	323

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(39) Estimated liabilities

Item	Ending balance	Beginning balance
Product quality warranty	121,689,661.93	358,285,875.33
Pending loss contract	24,963,653.40	336,568,684.88
Total	146,653,315.33	694,854,560.21

Note: The pending loss contract represent the expected contract loss recognised by the Group in accordance with the effective ship and offshore engineering product contracts signed and based on the difference between the expected contract revenue and expected total contract cost, which is written off based on the progress of product completion.

(40) Deferred income

1. Breakdown of deferred income by categories

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Government grants	150,307,309.25	72,075,579.25	143,640,108.60	78,742,779.90
Total	150,307,309.25	72,075,579.25	143,640,108.60	78,742,779.90

2. Projects with government grants

Item	Decrease for the year Beginning balance	New grants received during the year	Included in nonoperating income	Included in other income	Offsetting cost and expenses	Other changes	Ending balance	Relating to assets/ relating to revenue
Research of localized design and building Technologies	15,390,000.00	20,000,000.00		8,000,000.00			27,390,000.00	Relating to revenue
Test environment construction of industrial internet platform test of Guangdong ship industry clusters	21,780,000.00			1,000,000.00		-8,100,000.00	12,680,000.00	Relating to revenue
Manufacture of prediction and precise servicing technology and system driven by big data	11,030,000.00	3,390,000.00		6,780,000.00			7,640,000.00	Relating to revenue
Separation and transfer of water, power and gas supply and property management business	33,991,967.10	22,868,000.00	1,820,129.88			-47,841,037.40	7,198,799.82	Relating to revenue
Localization development and application verification of 1561 aluminium alloy (Russian series) and its supporting materials	2,670,000.00	4,200,000.00		1,100,000.00			5,770,000.00	Relating to revenue
Construction of level two section of industrial internet identification of ship industry	8,380,000.00			1,000,000.00		-3,375,000.00	4,005,000.00	Relating to revenue
Full set of equipment for ship assembly construction in 2019		3,500,000.00		1,000,000.00			2,500,000.00	Relating to revenue
R&D and industrialization of large-scale deep water multifunctional wind power platform		10,000,000.00		7,000,000.00		-900,000.00	2,100,000.00	Relating to revenue
Research on integrated application technologies of intelligent logistics and fine art delivery unit in shipbuilding process	1,500,000.00						1,500,000.00	Relating to revenue
High-end equipment industrial mechanism model library		3,400,000.00		2,000,000.00			1,400,000.00	Relating to revenue
Others	55,565,342.15	4,717,579.25	42,530.40	9,409,730.37	5,006,681.35	-39,264,999.20	6,558,980.08	Relating to revenue
Total	150,307,309.25	72,075,579.25	1,862,660.28	37,289,730.37	5,006,681.35	-99,481,036.60	78,742,779.90	

Note: Other reductions include that Guangzhou Shipyard International Company Limited ceased to include it in the scope of consolidation and thus transferred out as well as transferred payments to participating R&D units.

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(41) Share capital

Changes in the authorised, issued and paid-up share capital of the Company are as follows:

2020/Item	Beginning balance		Increase or decrease (+, -) during the year					Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction									
Ordinary shares denominated in RMB	821,435,181.00	58.12						821,435,181.00	58.12
Overseas listed foreign shares	592,071,197.00	41.88						592,071,197.00	41.88
Shares subject to selling restriction									
Ordinary shares denominated in RMB									
Shares held by foreign investors									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

(Continued)

2019/Item	Beginning balance		Increase or decrease (+, -) during the year					Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction									
Ordinary shares denominated in RMB	821,435,181.00	58.12						821,435,181.00	58.12
Overseas listed foreign shares	592,071,197.00	41.88						592,071,197.00	41.88
Shares subject to selling restriction									
Ordinary shares denominated in RMB									
Shares held by foreign investors									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Description: All the shares in the Company are ordinary shares with nominal value of RMB 1 each.

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(42) Capital reserve

2020/Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	9,332,395,757.24	437,770,000.00	545,169,641.96	9,224,996,115.28
Other capital reserve	68,285,143.52	1,094,077.74	2,814,184.58	66,565,036.68
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	9,418,941,779.55	438,864,077.74	547,983,826.54	9,309,822,030.75

Note: The increase in share premium during the current year was due to the increase in the state-owned exclusive capital reserve this year; while the decrease in share premium during the current year was due to the current profit or loss carried forward due to the disposal of equity interest in GSI;

The increase in other capital reserves in the current year was due to the changes in the capital reserves and special reserves of associates recognized according to the shareholding ratio; The decrease in other capital reserves in the current year was due to the disposal of equity of GSI and the transfer to current profit or loss.

2019/Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	9,465,193,217.38	52,177,060.31	184,974,520.45	9,332,395,757.24
Other capital reserve	66,126,652.17	2,814,184.58	655,693.23	68,285,143.52
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	9,549,580,748.34	54,991,244.89	185,630,213.68	9,418,941,779.55

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(43) Other comprehensive income

2020/Item	Beginning balance	Amount for the year					Ending balance
		Amount before income tax	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax	Amount attributable to minority interests after tax	
Other comprehensive income that may not be subsequently reclassified to profit or loss	-40,528,773.76	981,254,120.75	-3,358,682.58	243,386,548.20	738,848,479.10	-980,906.55	701,678,387.92
Including: Change in remeasurement of defined benefit plans	-66,544,307.71	-754,770.32		-188,692.58	-308,722.38	-257,355.36	-66,853,030.09
Other comprehensive income that cannot be transferred to profit or loss under the equity method		-1,977,674.93			-1,977,674.93		-1,977,674.93
Change in fair value of investments in other equity instruments	26,015,533.95	983,986,566.00	-3,358,682.58	243,575,240.78	741,134,876.41	-723,551.19	770,509,092.94
Other comprehensive income that will be subsequently reclassified to profit or loss	-1,166,143.54	-2,763,035.21			-1,491,810.48	-1,271,224.73	-2,657,954.02
Including: Exchange differences arising from translation of foreign currency financial statements	-1,166,143.54	-2,763,035.21			-1,491,810.48	-1,271,224.73	-2,657,954.02
Total other comprehensive income	-41,694,917.30	978,491,085.54	-3,358,682.58	243,386,548.20	737,356,668.62	-2,252,131.28	699,020,433.90

(Continued)

2019/Item	Beginning balance	Amount for last year					Ending balance
		Amount incurred for the period before income tax	Less: Amount previously included in other comprehensive income and transferred to profit or loss/retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax	Amount attributable to minority interests after tax	
Other comprehensive income that may not be subsequently reclassified to profit or loss	-44,106,291.17	4,417,882.55		-959,761.64	3,577,517.41	1,800,126.78	-40,528,773.76
Including: Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	-62,006,138.44	-5,776,294.91		89,399.25	-4,538,169.27	-1,327,524.89	-66,544,307.71
Change in fair value of investments in other equity instruments	17,899,847.27	10,194,177.46		-1,049,160.89	8,115,686.68	3,127,651.67	26,015,533.95
Other comprehensive income that will be subsequently reclassified to profit or loss	-1,509,135.40	523,721.72			342,991.86	180,729.86	-1,166,143.54
Including: Exchange differences arising from translation of foreign currency financial statements	-1,509,135.40	523,721.72			342,991.86	180,729.86	-1,166,143.54
Total other comprehensive income	-45,615,426.57	4,941,604.27		-959,761.64	3,920,509.27	1,980,856.64	-41,694,917.30

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(44) Special reserve

2020/Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee	443,910.04	21,316,322.60	21,760,232.64	
Total	443,910.04	21,316,322.60	21,760,232.64	

(Continued)

2019/Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Production safety fee	1,226,639.50	74,906,287.45	75,689,016.91	443,910.04
Total	1,226,639.50	74,906,287.45	75,689,016.91	443,910.04

(45) Surplus reserve

2020/Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	942,532,002.78	79,792,823.53	6,292,683.89	1,016,032,142.42
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	962,452,773.01	79,792,823.53	6,292,683.89	1,035,952,912.65

Note: The increase in statutory surplus during the current year was due to the provision of 10% of the net profit after making up the losses in accordance with the provisions of the Articles of Association of the Company; while the decrease was due to the offset of the transfer of assets of Huangpu Wenchong's water, power and gas supply.

2019/Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	942,521,055.08	10,947.70		942,532,002.78
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	962,441,825.31	10,947.70		962,452,773.01

(46) Undistributed profit

Item	Current year	Last year
Undistributed profits as at the end of last year before adjustment	-1,605,393,084.53	-2,153,702,475.37
Beginning adjustment to undistributed profits		
Undistributed profits as at the beginning of the year after adjustment	-1,605,393,084.53	-2,153,702,475.37
Add: Net profit attributable to owners of the Company for the year	3,662,334,382.03	548,320,338.54
Add: Transfer from other comprehensive income to retained earnings	-3,358,682.58	
Less: Statutory surplus reserve set aside	79,792,823.53	10,947.70
Undistributed profits as at the end of the year	1,973,789,791.39	-1,605,393,084.53

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(47) Minority interests

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Hongfan Computer Technology	49.00		20,824,625.00
Longxue Pipe	57.14		33,996,166.14
Wenchong Bingshen	40.00	1,782,375.52	1,511,180.95
Fonkwang Company	20.00		13,048,655.11
Zhanjiang Company	59.50	3,353,323.43	919,310.81
Xinhang Company	25.00	585,939.70	1,012,779.56
Xingji Company	62.5	4,251,893.60	3,957,073.67
Wah Shun Company	1.00	56,093.02	31,615.49
Wah Loong Company	1.00	490,998.50	310,674.12
CSSC New Energy	38.04	550,533.73	586,668.40
GSI (not solely state-owned)	26.28		1,792,349,260.69
Huangpu Wenchong (not solely state-owned)	45.46	3,107,979,533.54	3,103,518,839.16
GSI (solely state-owned)	Note		149,000,000.00
Huangpu Wenchong (solely state-owned)	Note		278,400,000.00
Total	-	3,119,050,691.04	5,399,466,849.10

Note: The minority interests (solely owned) of Huangpu Wenchong, a subsidiary of the Company, represented capital reserve solely owned by CSSC, details of which are set out in Note V (37).

(48) Net current assets

Item	Ending balance	Beginning balance
Current assets	21,802,423,891.94	33,235,450,338.19
Less: Current liabilities	18,498,603,048.10	29,410,507,753.51
Net current assets	3,303,820,843.84	3,824,942,584.68

(49) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	38,937,517,272.52	52,304,069,154.98
Less: Current liabilities	18,498,603,048.10	29,410,507,753.51
Total assets less current liabilities	20,438,914,224.42	22,893,561,401.47

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(50) Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	2,049,871,666.70	6,147,082,148.56
Non-current liabilities due within one year	2,861,561,365.21	2,239,900,000.00
Long-term borrowings	2,117,721,642.34	6,049,757,000.00
Total	7,029,154,674.25	14,436,739,148.56

1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	5,136,397,483.31	8,187,082,148.56
– Bank borrowings repayable after 5 years	1,282,258,267.33	407,157,000.00
Other borrowings		
– Other borrowings repayable within 5 years	610,498,923.61	4,539,900,000.00
– Other borrowings repayable after 5 years		1,302,600,000.00
Total	7,029,154,674.25	14,436,739,148.56

2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	4,911,433,031.91	8,386,982,148.56
1-2 years	835,463,375.01	4,120,000,000.00
2-5 years		220,000,000.00
Over 5 years	1,282,258,267.33	1,709,757,000.00
Total	7,029,154,674.25	14,436,739,148.56

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(51) Operating income and Operating costs

1. Information on operating income and operating cost

Item	Amount for the year	Amount for last year
Income from principal business	11,397,374,517.03	21,581,588,577.17
Income from other businesses	211,086,209.67	247,414,386.60
Total	11,608,460,726.70	21,829,002,963.77
Costs of principal business	10,757,470,798.26	20,791,601,441.28
Costs of other businesses	97,315,141.00	167,693,512.85
Total	10,854,785,939.26	20,959,294,954.13

Gross profit from principal business

Item	Amount for the year	Amount for last year
Income from principal business	11,397,374,517.03	21,581,588,577.17
Costs of principal business	10,757,470,798.26	20,791,601,441.28
Gross profit	639,903,718.77	789,987,135.89

(1) Principal business – by product

Product name	Amount for the year	Amount for last year
Operating income		
Ship products	9,459,434,393.10	16,480,667,808.06
Including:		
Bulk carriers	982,516,718.48	580,491,099.01
Oil tankers	245,129,888.16	4,619,845,280.11
Containerships	2,463,087,874.05	2,743,315,554.12
Special ships and others	5,768,699,912.41	8,537,015,874.82
Offshore engineering products	-292,329,627.20	1,321,234,115.03
Steel structures	1,622,936,840.14	2,011,736,461.38
Ship maintenance and modification	449,244,650.68	1,042,288,419.71
Electromechanica products and others	158,088,260.31	725,661,772.99
Total	11,397,374,517.03	21,581,588,577.17
Operating costs		
Ship products	9,115,929,697.67	16,217,877,959.85
Including:		
Bulk carriers	899,514,547.14	556,833,606.51
Oil tankers	316,911,954.31	5,001,816,567.33
Containerships	2,685,144,064.27	2,813,914,430.32
Special ships and others	5,214,359,131.95	7,845,313,355.69
Offshore engineering products	-291,322,991.88	1,216,369,388.52
Steel structures	1,463,615,768.05	1,791,605,611.67
Ship maintenance and modification	366,308,458.22	859,722,405.80
Electromechanical products and others	102,939,866.20	706,026,075.44
Total	10,757,470,798.26	20,791,601,441.28

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(2) *Principal business – by region*

Region	Amount for the year	Amount for last year
Operating income:		
China (including Hong Kong, Macau and Taiwan)	8,356,317,728.53	13,280,308,241.32
Other regions in Asia	1,478,914,239.25	1,668,033,894.64
Europe	645,318,980.90	3,089,923,709.17
Oceania	741,035,904.67	983,088,477.79
North America	-313,601,083.30	438,904,472.85
Africa	489,388,746.98	2,086,041,744.97
South America		35,288,036.43
Total	11,397,374,517.03	21,581,588,577.17
Operating costs:		
China (including Hong Kong, Macau and Taiwan)	7,344,963,352.73	12,287,244,136.23
Other regions in Asia	1,622,585,544.81	1,749,484,608.75
Europe	780,023,754.80	3,326,534,606.42
Oceania	758,852,834.21	999,832,979.60
North America	-319,474,835.95	376,329,160.35
Africa	570,520,147.66	2,025,562,650.57
South America		26,613,299.36
Total	10,757,470,798.26	20,791,601,441.28

(3) *Other operating income and other operating costs*

Product name	Amount for the year	Amount for last year
Income from other business:		
Sale of materials	79,002,602.01	78,693,545.12
Sales of scrap materials	26,427,547.13	88,882,046.98
Provision of service	73,845.71	6,273,921.75
Leasing	90,439,327.54	43,678,333.84
Provision of energy	4,928,440.60	7,782,369.10
Others	10,214,446.68	22,104,169.81
Total	211,086,209.67	247,414,386.60
Costs of other business:		
Sale of materials	62,815,572.86	71,424,148.71
Sales of scrap materials	18,976,880.21	51,236,840.79
Provision of service	123,806.88	3,254,022.36
Leasing	7,171,984.71	28,267,915.03
Provision of energy	6,490,608.52	7,589,203.17
Others	1,736,287.82	5,921,382.79
Total	97,315,141.00	167,693,512.85

2. *Breakdown of operating income*

Item	Current year	Last year
Operating income	11,608,460,726.70	21,829,002,963.77
Less: Business income not related to the principal operations	211,086,209.67	247,414,386.60
Less: Commercially non-substantial income		
Operating income less business revenue not related to the principal operations and commercially non-substantial income	11,397,374,517.03	21,581,588,577.17

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3. Information on revenue from contracts

Breakdown of contracts	Shipbuilding and related business segment	Steel structure business segment	Ship maintenance and related business segment	Others segment	Total
Product type:					
Ship products	9,459,434,393.10				9,459,434,393.10
Offshore engineering products	-292,329,627.20				-292,329,627.20
Steel structures	34,513,284.39	1,588,423,555.75			1,622,936,840.14
Ship maintenance and modification			449,244,650.68		449,244,650.68
Electromechanical products and others				158,088,260.31	158,088,260.31
Other business	26,617,571.45		2,582,226.75	181,886,411.47	211,086,209.67
Product type sub-total	9,228,235,621.74	1,588,423,555.75	451,826,877.43	339,974,671.78	11,608,460,726.70
By region of operation					
Domestic	6,359,926,113.22	1,556,802,485.78	315,893,176.21	334,782,162.99	8,567,403,938.20
Overseas	2,868,309,508.52	31,621,069.97	135,933,701.22	5,192,508.79	3,041,056,788.50
By region of operation sub-total	9,228,235,621.74	1,588,423,555.75	451,826,877.43	339,974,671.78	11,608,460,726.70
Type of market or customer					
State-owned enterprises	5,569,898,656.15	1,527,542,295.30	196,486,488.59	164,954,863.12	7,458,882,303.16
Private enterprises	401,281,295.14	29,260,190.48	32,331,282.89	169,827,299.87	632,700,068.38
Foreign enterprises	3,257,055,670.45	31,621,069.97	223,009,105.95	5,192,508.79	3,516,878,355.16
Type of market or customer sub-total	9,228,235,621.74	1,588,423,555.75	451,826,877.43	339,974,671.78	11,608,460,726.70
Type of contract					
Fixed price	9,228,235,621.74	1,549,629,693.19	292,846,752.38	328,601,542.80	11,399,313,610.11
Cost plus		38,793,862.56	158,980,125.05	11,373,128.98	209,147,116.59
Sub-total by type of contract	9,228,235,621.74	1,588,423,555.75	451,826,877.43	339,974,671.78	11,608,460,726.70
By date of transfer of goods					
Performed over time	9,103,600,824.69	1,525,426,803.16			10,629,027,627.85
Performed at a point in time	124,634,797.05	62,996,752.59	451,826,877.43	339,974,671.78	979,433,098.85
By date of transfer of goods sub-total	9,228,235,621.74	1,588,423,555.75	451,826,877.43	339,974,671.78	11,608,460,726.70
By contract term					
Short-term	124,634,797.05	49,039,477.08	451,826,877.43	339,974,671.78	965,475,823.34
Long-term	9,103,600,824.69	1,539,384,078.67			10,642,984,903.36
By contract term sub-total	9,228,235,621.74	1,588,423,555.75	451,826,877.43	339,974,671.78	11,608,460,726.70
By sales channel					
Direct sales	8,830,185,534.17	1,556,802,485.78	451,826,877.43	339,974,671.78	11,178,789,569.16
Sale through distributors	398,050,087.57	31,621,069.97			429,671,157.54
By sales channel sub-total	9,228,235,621.74	1,588,423,555.75	451,826,877.43	339,974,671.78	11,608,460,726.70

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4. Note on contract performance obligations

The Group's contract performance obligations represent mainly the construction, delivery and maintenance of ships and ancillary products. The time of contract performance obligation substantially corresponds to the ship completion progress, mainly includes those for construction commencement, closure, docking, launch, trial sailing and delivery. The time and proportion of progress payment are set out in the contracts between the Group and its customers, and the parties perform the relevant obligations in accordance with the terms of the contracts. In case of any default or failure by any party to timely perform a contract, the Group is required to return the advance payment from the customer and contract assets which have been generated if it is the Group's default, and the Group has the right to request the customer to continue to perform the contract or compensate the Group for the cost and profit for contract performance if it is the customer's default. The warranty period of a contract is generally one year. The Group is required to provide repair services free of charge for any defects arising from unintentional reason, navigation risk and natural damages.

5. Note on allocation to remaining contract performance obligations

The amount of revenue corresponding to the contract performance obligations for which contracts had been entered into and which had not been performed or fully performed as at the end of the year was RMB24,063,050,000, of which RMB8,774,056,300 is expected to be recognised as revenue in 2021.

6. Top five customers by operating income

Customers	Relationship with the Group	Current year	Percentage of total income from principal business (%)
Customer 1	Third party	4,348,173,992.00	38.15
Customer 2	Third party	634,795,429.41	5.57
Customer 3	Third party	553,125,662.10	4.85
Customer 4	Third party	542,595,186.49	4.76
Customer 5	Third party	442,541,288.20	3.88
Total		6,521,231,558.20	57.21

7. Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount for the year	Percentage of total costs of principal business (%)
First	Under common control of CSSC	2,016,719,418.60	18.75
Second	Third party	225,151,712.91	2.09
Third	Under common control of CSSC	144,317,730.35	1.34
Fourth	Under common control of CSSC	63,260,473.15	0.59
Fifth	Third party	61,152,746.73	0.57
Total		2,510,602,081.74	23.34

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(52) Taxes and surcharges

Item	Amount for the year	Amount for last year
Property tax	8,588,845.73	27,547,500.51
Land use tax	3,125,060.77	6,938,126.26
City maintenance and construction tax	1,819,204.62	9,159,552.39
Educational surcharge	1,314,725.00	6,521,975.12
Stamp duty	10,264,852.32	13,795,703.58
Vehicle usage tax	96,466.26	163,542.17
Environmental protection tax	92,244.40	1,955,626.06
Total	25,301,399.10	66,082,026.09

(53) Selling expenses

Item	Amount for the year	Amount for last year
Product quality warranty	-11,531,288.73	77,586,819.29
Employee benefits	21,061,312.64	43,402,068.21
Business expenditure	1,409,659.16	2,316,201.71
Exhibition fees	1,360,163.74	2,536,496.48
Travelling expense	912,036.96	1,923,344.46
Advertising publicity fee	272,520.68	1,361,000.15
Transportation fees	261,927.68	2,482,609.10
Insurance premium	116,666.66	962,316.02
Depreciation charge	54,276.30	57,862.12
Other selling expenses	163,481.68	4,305,453.78
Total	14,080,756.77	136,934,171.32

(54) Administrative expenses

Item	Amount for the year	Amount for last year
Employee benefits	268,780,041.93	434,701,858.75
Repairing expenses	78,574,495.65	148,397,443.95
Amortisation of intangible assets	29,988,472.63	53,071,402.13
Depreciation charge	18,943,908.00	55,180,895.80
Insurance premium	12,333,558.66	3,225,104.01
Lease expenses	9,916,885.08	18,509,949.13
Board meeting fee	5,036,691.53	3,554,980.74
Business entertainment expense	3,497,685.76	5,859,174.47
Security, firefighting and safety activity fee	2,810,058.91	27,984,546.39
Travelling expense	2,800,714.04	9,719,012.74
Intermediary fee	2,516,892.17	5,637,139.95
Office expenses	1,956,687.88	3,822,974.53
Litigation fees	1,927,417.08	2,386,042.68
Consulting fee	792,501.81	3,239,137.53
Utilities expense	785,531.98	7,281,558.73
Warehouse fee	717,546.71	693,267.65
Information management fee	424,617.51	5,430,808.35
Logistics service fee	318,060.30	2,779,988.82
Environmental protection and drainage fee	279,857.18	16,019,962.37
Other administrative expenses	70,512,058.97	93,463,361.08
Total	512,913,683.78	900,958,609.80

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(55) Research and development expenses

Item	Amount for the year	Amount for last year
Material fee	303,843,595.06	253,983,596.43
Wages and labor costs	112,697,166.54	111,587,906.06
Outsourcing fee	68,318,601.13	74,807,781.28
Design fee	48,479,213.34	50,680,547.65
Fuel power fee	15,368,660.24	2,570,297.90
Fixed asset usage fee	14,728,484.99	18,048,327.58
Project management fee	8,270,556.40	24,350,266.61
Travelling expense	2,213,641.64	6,190,672.54
Test fee	1,005,180.66	
Service fee	687,924.23	6,446,434.43
Conference fee	442,454.55	753,040.26
Expert consultation fee	429,541.42	460,663.58
Dedicated fee	241,937.00	6,144,323.96
Other	13,637,473.78	1,758,331.39
Total	590,364,430.98	557,782,189.67

(56) Finance costs

1. Breakdown of finance costs

Item	Amount for the year	Amount for last year
Interest expenses	155,840,699.34	364,243,854.91
Less: Interest income	253,973,437.90	229,368,563.22
Less: Exchange gains		25,150,754.16
Add: Exchange losses	101,230,442.82	
Other expenses	20,725,319.12	34,437,133.48
Total	23,823,023.38	144,161,671.01

2. Breakdown of interest expenses

Item	Amount for the year	Amount for last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years	152,703,858.38	150,438,734.80
Other borrowings		
Interest on other borrowings due within 5 years	19,662,922.54	253,675,166.99
Other interest expenses	2,923,918.42	3,720,751.43
Sub-total	175,290,699.34	407,834,653.22
Less: Interest capitalised		14,410,798.31
Less: Finance interest discount	19,450,000.00	29,180,000.00
Total	155,840,699.34	364,243,854.91

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3. Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	137,774,078.05	195,449,999.67
Interest income from receivables	116,199,359.85	33,918,563.55
Total	253,973,437.90	229,368,563.22

(57) Other income

Item	Current year	Last year	Relating to assets/relating to revenue
Grant for first piece (set)	55,242,287.51		Relating to revenue
Smart Ship 1.0 R&D Project	28,980,000.00		Relating to revenue
Employment subsidies	18,790,380.00		Relating to revenue
Development of engineering prototype of marine 400mm bore low-speed dual-fuel engine	17,660,000.00		Relating to revenue
High-tech allowance	10,042,000.00		Relating to revenue
R&D and industrialization of large-scale deepwater multifunctional wind power platform	7,000,000.00		Relating to revenue
Research on localized construction technology	5,000,000.00		Relating to revenue
Guangzhou technological innovation and benchmarking company fund	5,000,000.00		Relating to revenue
Research on the solutions and key common technologies of ship segmentation intelligent manufacturing equipment	4,786,792.46		Relating to revenue
Post development subsidy funds	4,000,000.00		Relating to revenue
Employment subsidies	3,546,837.46		Relating to revenue
Offshore expansion projects	3,500,000.35	3,500,000.00	Relating to assets
Research of common key processes and technologies for smart manufacturing of ship	2,900,000.00		Relating to revenue
High-end equipment industrial mechanism model library	2,000,000.00		Relating to revenue
Offshore engineering phase I	1,500,000.00	1,500,000.00	Relating to assets
Self-produced software VAT refund and collection	660,173.31	1,438,098.94	Relating to revenue
2019 Guangzhou Business Development Special Fund Service Trade and Service Outsourcing		1,045,300.00	Relating to revenue
Others	22,021,886.86	3,495,090.91	
Total	192,630,357.95	10,978,489.85	

Note: Government grants from other income included in non-recurring gains and losses amounted to RMB136,727,897.13 for the year. Please refer to Note 16(1) for the reason why government grants were included in recurring gains and losses.

(58) Investment income

Item	Amount for the year	Amount for last year
Gain on long-term equity investments accounted for using equity method	103,150,875.19	11,830,229.89
Investment income from disposal of long-term equity investments	1,952,887,294.85	-93,136.11
Investment income from disposal of financial assets held-for-trading	41,793,683.33	5,580,169.99
Dividend income received during the period of holding other debt investments		13,745,972.01
Dividend income received during the period of holding investments in other equity instruments	1,758,109,549.31	
Gain on re-measurement of remaining equity interest upon loss of control at fair value	1,669,325.18	1,339,419.91
Total	3,857,610,727.86	32,402,655.69

Note: The investment income from listed and unlisted investments for the year amounted to RMB172,069.38 (last year: RMB163,875.63) and RMB3,857,438,658.48 (last year: RMB-32,238,780.05), respectively.

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(59) Gain/loss on change in fair value

Sources of income from changes in fair value	Amount for the year	Amount for last year
Financial assets held-for-trading	239,667,073.30	40,013,438.46
Financial liabilities held-for-trading	-27,239,182.80	-119,600,315.72
Total	212,427,890.50	-79,586,877.26

(60) Credit impairment loss

Item	Amount for the year	Amount for last year
Loss on bad debts of accounts receivable	-10,260,813.58	-14,029,237.94
Loss on bad debts of other receivables	4,213,697.15	-7,317,126.09
Loss on bad debts of long-term receivables	54,283,464.24	4,513,528.19
Total	48,236,347.81	-16,832,835.84

Note: Negative numbers of credit impairment losses indicate accrual during current year, and positive numbers indicate reversal during current year.

(61) Loss on impairment of assets

Item	Amount for the year	Amount for last year
Loss on impairment of inventories	-277,298,592.16	-37,879,117.82
Loss on impairment of assets in respect of contract performance cost	-41,478.78	-271,697,062.76
Total	-277,340,070.94	-309,576,180.58

Note: Negative numbers of asset impairment losses indicate accrual during current year, and positive numbers indicate reversal during current year.

(62) Gain on disposal of assets

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Gain on disposal of non-current assets	-12,675,578.87	-78,454.75	-12,675,578.87
Including: Gain on disposal of non-current assets not classified as assets held for disposal	-12,675,578.87	-78,454.75	-12,675,578.87
Including: Gain on disposal of fixed assets	-12,675,578.87	-78,454.75	-12,675,578.87
Total	-12,675,578.87	-78,454.75	-12,675,578.87

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(63) Non-operating income

1. Breakdown of non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses for the year
Gain on retirement of damaged non-current assets	966,332.12	719,760.47	966,332.12
Including: Gain on retirement of damaged fixed assets	966,332.12	719,760.47	966,332.12
Government grants not relating to day-to-day activities	1,862,660.28	4,425,312.28	1,862,660.28
Compensation for land parcel storage		1,279,251,223.80	
Compensation for relocation and lose from suspension of production		999,262,074.35	
Penalty income	452,871.24	8,494,211.97	452,871.24
Negative goodwill recognized for business combination not under common control	1,760,005.87		1,760,005.87
Transfer from claims under the balance of social security fund	8,531,512.80		8,531,512.80
Contract breach compensation	30,630,000.00		30,630,000.00
Others	3,543,860.99	2,246,847.96	3,543,860.99
Total	47,747,243.30	2,294,399,430.83	47,747,243.30

The amount included in non-recurring gains and losses for the year was RMB47,747,243.30 (last year: RMB 2,294,399,430.83).

2. Breakdown of government grants not relating to day-to-day activities

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Use of subsidy for shore power		2,120,000.00	Guangzhou Salvage Bureau	Relating to revenue
Subsidy for separation and transfer of water, power and gas supply and property management business	1,820,129.88	1,820,129.88	Finance in Huangpu District	Relating to revenue
Medical expense subsidy for retired cadres		230,000.00	National government subsidy	Relating to revenue
Other projects	42,530.40	255,182.40	Relating to revenue	
Total	1,862,660.28	4,425,312.28	-	-

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

(64) Non-operating expenses

Item	Current year	Last year	Amount included in non-recurring gains and losses for the current period
Loss on retirement of damaged non-current assets	1,963,472.58	1,706,255.48	1,963,472.58
Of which: Loss on damaged fixed assets	1,963,472.58	1,706,255.48	1,963,472.58
Penalty and late payment fee	90,839.78	1,381,702.68	90,839.78
Compensation for termination of agreement	1,837,144.95		1,837,144.95
External donation	182,000.00	216,308.35	182,000.00
Others	57,292.26	1,106,569.46	57,292.26
Total	4,130,749.57	4,410,835.97	4,130,749.57

The amount included in non-recurring gains and losses for the year was RMB4,130,749.57 (last year: RMB4,410,835.97).

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(65) Income tax expense

1. Breakdown of income tax expense

Item	Amount for the year	Amount for last year
Current income tax – PRC enterprise income tax	189,808.19	1,356,407.31
(1) China	189,808.19	1,356,407.31
(2) Hong Kong		
Deferred tax	24,677,656.39	61,182,041.29
Total	24,867,464.58	62,538,448.60

2. Accounting profit and income tax expense adjustment process

Item	Amount
Total consolidated profit	
Income tax expenses calculated at statutory/applicable tax rate	3,651,697,661.47
Impact of different tax rates for subsidiaries	910,962,050.46
Impact of adjustment for income tax for previous period	20,116,231.16
Impact of non-taxable income	-26,077.36
Impact of non-deductible costs, expenses and losses	-344,567,221.75
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	567,276.86
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	-611,841,062.75
Other (including the effect of deduction)	100,435,292.31
R&D Expenses including the effect of deduction	-50,779,024.35
Income tax expense	24,867,464.58

(66) Other comprehensive income

Please refer to Note V (43) "Other comprehensive income" for details.

(67) Audit fees and auditors

The audit fees charged for 2020 are RMB1.51 million (2019: RMB1.90 million). The auditors engaged by the Company are WUYIGE Certified Public Accountants LLP, which has been newly hired since 2020.

(68) Depreciation and amortisation

Item	Current year	Last year
Depreciation of fixed assets	344,631,348.19	724,752,347.33
Amortisation of intangible assets	31,514,174.19	59,574,411.05
Depreciation of right-of-use assets	25,989,654.54	52,516,151.80
Amortisation of long-term prepaid expenses	3,308,632.44	15,197,057.54
Depreciation of investment properties	104,785.35	628,712.16
Total	405,548,594.71	852,668,679.88

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(69) Gain (or loss) on disposal of investments or properties

Gain on disposal of investment or properties during the current year was RMB3,710,996,844.16 (gain on disposal of investment last year: RMB0, gain on disposal of properties last year: RMB0).

(70) Operating rental expense

Operating rental expense for the year is RMB71,220,783.62 (last year: RMB51,751,340.04, of which rental expense for machinery and equipment is RMB46,541,845.73 (last year: RMB15,985,899.18).

(71) Rental income

Operating rental income for the year is RMB99,783,293.78 (last year: RMB63,363,026.08), including rental income from land and buildings of RMB91,865,736.63 (last year: RMB23,737,650.89).

(72) Supplementary information on consolidated income statement

The breakdown of expenses (including operating costs, selling expenses, administrative expenses and research and development expenses) by nature:

Item	Amount for the year	Amount for last year
Raw materials consumed	7,566,976,492.22	13,577,915,538.16
Employee compensation expenses	2,508,896,028.77	4,529,053,666.94
Product fee	790,358,814.94	2,389,635,134.74
Depreciation expenses	370,725,788.08	777,897,211.29
Fuel power fee	164,383,503.22	325,272,358.33
Balance of product payment	-23,105,683.38	295,956,563.98
Amortisation expenses	34,822,806.63	74,771,468.59
Others	559,087,060.31	584,467,982.89
Total	11,972,144,810.79	22,554,969,924.92

(73) Cash flow statement

1. Other cash receipts/payments relating to operating/investing /financing activities

(1) Other cash receipts relating to operating activities

Item	Amount for the year	Amount for last year
Income from other current accounts received	351,358,515.31	452,624,118.87
Government grants	157,380,974.24	380,095,154.86
Receipt/recovery of deposit	30,653,775.40	73,042,130.99
Interest income	64,904,515.86	92,016,074.43
Income from compensation for relocation		764,000,000.00
Income from compensation for land parcel storage		724,607,047.26
Product subsidy		51,634,699.20
Other non-operating income	166,351.51	54,916,768.14
Total	604,464,132.32	2,592,935,993.75

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) *Other cash payments relating to operating activities*

Item	Amount for the year	Amount for last year
Payment of other current accounts	249,875,419.81	439,091,349.29
Security deposit	31,004,134.59	72,354,641.45
Administrative and R&D expense	113,066,948.12	159,486,488.18
Reserve funds	30,600,250.15	93,139,213.36
Non-operating expenses	1,971,818.51	1,753,689.91
Selling expenses	4,230,553.98	12,445,161.38
Bank charges	6,170,937.25	11,642,680.20
Warranty expenses	4,643,462.73	43,376,882.75
Total	441,563,525.14	833,290,106.52

(3) *Other cash receipts relating to investing activities*

Item	Amount for the year	Amount for last year
Release of pledge on fixed deposits	1,279,529,607.97	3,949,187,403.31
Interest income from fixed deposits and other interest income	31,836,323.91	122,747,391.55
Gain on entrusted wealth management products		2,169,863.01
Collection of principal on loans made and settled on a consolidated basis	400,000,000.00	
Collection of interest on loans made and settled on a consolidated basis	2,170,666.67	
Income from land storage and relocation compensation	859,570,044.60	
Total	2,573,106,643.15	4,074,104,657.87

(4) *Other cash payments relating to investing activities*

Item	Amount for the year	Amount for last year
Fixed deposit and fund subject to restrictions on use	1,453,790,426.96	5,707,586,625.30
Entrusted wealth management products		283,697,089.33
Fixed assets upgrading expense		
Forward instrument delivery expenses		
Long-term prepaid expenses		4,314,672.13
Reclassification of net cash received from disposal of subsidiaries	4,187,571,057.64	
Relocation expenses	123,265,875.68	
Total	5,764,627,360.28	5,995,598,386.76

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(5) Other cash receipts relating to financing activities

Item	Amount for the year	Amount for last year
State grant	60,000,000.00	253,000,000.00
Total	60,000,000.00	253,000,000.00

(6) Other cash payments relating to financing activities

Item	Amount for the year	Amount for last year
Leased asset expense	5,954,257.75	19,067,561.81
Total	5,954,257.75	19,067,561.81

2. Supplementary information on consolidated cash flow statement

Item	Current year	Last year
Reconciliation of net profit and cash flows from operating activities:		
Net profit	3,626,830,196.89	928,546,285.12
Add: Provision for impairment of assets	277,340,070.94	309,576,180.58
Loss on impairment of credit assets	-48,236,347.81	16,832,835.84
Depreciation of fixed asset	344,736,133.53	725,381,059.49
Depreciation of right-of-use assets	25,989,654.54	52,516,151.80
Amortisation of intangible assets	31,514,174.19	59,574,411.05
Amortisation of long-term prepaid expenses	3,308,632.44	15,197,057.54
Loss on disposal of fixed assets and intangible assets	12,675,578.87	78,454.75
Loss on retirement of fixed assets	997,140.46	986,495.01
Loss on changes in fair value	-212,427,890.50	79,586,877.26
Finance cost	116,001,468.97	375,978,675.94
Loss on investments	-3,857,610,727.86	-32,402,655.69
Decrease in deferred tax assets	-1,690,154.97	62,180,792.61
Increase in deferred tax liabilities	28,044,226.01	564,279.45
Decrease in inventories	119,989,568.64	616,571,490.95
Decrease in operating receivables	7,822,537,691.22	-1,835,854,354.52
Increase in operating payables	-9,314,406,836.53	2,360,239,963.78
Others		
Net cash flows from operating activities	-1,024,407,420.97	3,735,554,000.96
Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital	-	-
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement:		
Net changes in cash and cash equivalents	-	-
Ending balance of cash	5,719,367,108.31	10,683,490,790.99
Less: Beginning balance of cash	10,683,490,790.99	8,536,815,355.09
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-4,964,123,682.68	2,146,675,435.90

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Net cash paid for acquisition of subsidiaries and disposal of subsidiaries during the year

Item	Amount
(1) Cash and cash equivalents paid in relation to business combinations occurred during the year	27,901,825.00
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	17,195,407.31
Including: Nanfang Environment	17,195,407.31
Add: Cash and cash equivalents paid in the current year for business combination in prior period	-
Net cash paid for acquisition of subsidiaries	10,706,417.69
(2) Cash or cash equivalents received from subsidiaries disposed of during the year	
Less: Cash and cash equivalents held by subsidiaries at the date of loss of control	4,187,571,057.64
Including: Guangzhou Shipyard International Company Limited	4,187,571,057.64
Add: Cash or cash equivalents received in the current year from the disposal of subsidiaries in prior periods	-
Net cash received from disposal of subsidiaries	-4,187,571,057.64

4. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	5,719,367,108.31	10,683,490,790.99
Including: Cash on hand	55,083.55	206,485.11
Bank deposits available for use on demand	5,719,312,024.76	10,683,284,305.88
Other cash at bank and on hand for use on demand	-	-
Cash equivalents	-	-
Cash and cash equivalents at the end of the year	5,719,367,108.31	10,683,490,790.99

(74) Assets subject to restrictions in ownership or use right

Item	Carrying value as at the end of the year	Reasons for restrictions
Cash at bank and on hand	3,048,383,016.18	Fixed deposits with maturity of over 3 months, security deposit, etc.

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(75) Foreign currency monetary items

1. Foreign currency monetary items

Item	Ending balance of foreign currency	Translation rate	Ending balance denominated in RMB
Cash at bank and on hand			769,998,341.56
Including: USD	116,885,227.02	6.5249	762,664,417.78
EUR	570,220.71	8.0250	4,576,021.20
HKD	3,276,975.50	0.8416	2,757,902.58
Accounts payable			581,388,523.47
Including: USD	87,851,470.20	6.5249	573,222,057.91
HKD	9,703,499.95	0.8416	8,166,465.56
Long-term receivables			1,339,842,523.34
Including: USD	205,342,997.34	6.5249	1,339,842,523.34
Accounts payable			529,418,330.33
Including: USD	81,138,152.36	6.5249	529,418,330.33
Other payables			34,652.04
Including: HKD	41,174.00	0.8416	34,652.04

2. Reporting currency of significant foreign operating entities

Significant foreign operating entities	Principal place of business overseas	Reporting currency	Basis of selection
Wah Loong International Marine Limited	Hong Kong, China	Hong Kong Dollars	Principal business operations are denominated in Hong Kong dollars
Wah Shun International Marine Limited	Hong Kong, China	Hong Kong Dollars	Principal business operations are denominated in Hong Kong dollars

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(76) Government grants

1. Basic information on government grants

Item	Amount	Item presented	Amount included in profit or loss
Grant for first piece (set)	55,242,287.51	Other income	55,242,287.51
Project Smart Ship 1.0	28,980,000.00	Other income	28,980,000.00
Employment subsidies	18,790,380.00	Other income	18,790,380.00
Marine 400mm bore low-speed dual-fuel engine prototype development (Marine low-speed engine project (Phase I))	17,660,000.00	Other income	17,660,000.00
High-tech enterprise subsidies	10,042,000.00	Other income	10,042,000.00
R&D and industrialization of large-scale deepwater multifunctional wind power platform	7,000,000.00	Other income	7,000,000.00
Research on localized construction process	5,000,000.00	Other income	5,000,000.00
Guangzhou technological innovation and benchmarking company fund	5,000,000.00	Other income	5,000,000.00
Research on smart manufacturing equipment solutions and key common technologies for ship segments	4,786,792.46	Other income	4,786,792.46
Emerging industries post development subsidy funds	4,000,000.00	Other income	4,000,000.00
Employment subsidies	3,546,837.46	Other income	3,546,837.46
Technology reform subsidies	3,500,000.35	Other income	3,500,000.35
Research of common key processes and technologies for smart manufacturing of ship	2,900,000.00	Other income	2,900,000.00
High-end equipment industrial mechanism model library	2,000,000.00	Other income	2,000,000.00
Ship intelligent system technology optimization and upgrading research	1,878,549.18	Other income	1,878,549.18
Research of technologies for management and control of smart ship block workshops	1,856,953.80	Other income	1,856,953.80
Technology reform grants	1,800,000.00	Other income	1,800,000.00
Subsidies for the Group's enterprise units with special financial difficulties	1,588,300.00	Other income	1,588,300.00
Research, development and industrialization of multifunctional intelligent unmanned boat in complex marine environments	1,356,053.98	Other income	1,356,053.98
1561 aluminum alloy (Russian series) and its supporting materials that are researched and developed for national production and application verification	1,100,000.00	Other income	1,100,000.00
Test environment construction of industrial internet platform test of Guangdong ship industry clusters	1,000,000.00	Other income	1,000,000.00
Construction of level two section of industrial internet identification of ship industry	1,000,000.00	Other income	1,000,000.00
Complete equipment project of total assembly and construction of ships	1,000,000.00	Other income	1,000,000.00
Incentive for industrial enterprises to increase production in the first quarter of 2020 from the Finance Bureau of Guangzhou Nansha Economic and Technological Development Zone	1,000,000.00	Other income	1,000,000.00
2019 Intellectual Property Rights Policy Incentive Grant from Finance Bureau of Guangzhou Nansha District	1,000,000.00	Other income	1,000,000.00

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Item	Amount	Item presented	Amount included in profit or loss
Separation and transfer of water, power and gas supply and property management business	1,820,129.88	Non-operating income	1,820,129.88
Other revenue items under RMB 1 million	9,136,749.71	Other Income	9,136,749.71
Non-operating income items under RMB 1 million	42,530.40	Non-operating income	42,530.40
Interest subsidy for transformation into civil development	19,450,000.00	Finance costs	19,450,000.00
Research on localized construction process	27,390,000.00	Deferred income	
Construction of inspection and testing environment for Guangdong Province ship industry cluster internet platform	12,680,000.00	Deferred income	
Manufacture of prediction and precise servicing technology and system driven by big data	7,640,000.00	Deferred income	
Separation and transfer of water, power and gas supply and property management business	7,198,799.82	Deferred income	
1561 aluminum alloy (Russian series) and its supporting materials that are researched and developed for national production and application verification	5,770,000.00	Deferred income	
Construction of level two section of industrial internet identification of ship industry	4,005,000.00	Deferred income	
2019 complete equipment project of total assembly and construction of ships	2,500,000.00	Deferred income	
R&D and industrialization of large-scale deepwater multifunctional wind power platform	2,100,000.00	Deferred income	
Research on integrated application technology of smart logistics and accurate distribution unit in construction process	1,500,000.00	Deferred income	
High-end equipment industrial mechanism model library	1,400,000.00	Deferred income	
Production of structural components and auxiliary support for deep-sea optical AUV systems	1,140,800.00	Deferred income	
Deferred revenue items under RMB 1 million	5,418,180.08	Deferred income	
Total	292,220,344.63	-	213,477,564.73

2. Information on return of government grants

None.

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(77) Leases

1. As lessor

(1) Operating leases

Item	Amount
1. Information on revenue	141,063,391.41
Income from leases	141,063,391.41
Income related to variable lease payments not included in lease receipts	
2. Undiscounted leasing receivable in the balance sheet for the next five consecutive accounting years	78,280,547.91
The first year	42,947,431.42
The second year	24,894,320.47
The third year	10,438,796.02
The fourth year	
The fifth year	
3. The total amount of undiscounted leasing receivable in remaining years	78,280,547.91
Within one year (including one year)	42,947,431.42
Above one year within two years (including two years)	24,894,320.47
Above two years within three years (including three years)	10,438,796.02
Above three years	

2. As lessee

(1) Information disclosure of lessees

Item	Amount
Interest expense of lease liabilities	3,618,063.58
Expense of short-term leases included in the current profit and loss	34,255,088.97
Leasing expense of low-value assets	49,226.41
Variable leasing payment not included in the valuation of lease liabilities	
Income generated from the transfer of right-of-use assets	
Total cash outflow related to leases	49,747,923.65
Relevant profit and loss generated from sale and leaseback transactions	
Others	

See Note V(17) for details of right-of-use assets and Note V(36) for details of interest expense on lease liabilities.

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(78) Earnings per share

Basic earnings per share shall be calculated by profit or loss attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding 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 increased after conversion of dilutive potential ordinary shares into issued ordinary shares, the dilutive potential ordinary shares which were converted in previous periods 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	3,662,334,382.03	548,320,338.54
Non-recurring gains and losses attributable to the Company	2	3,945,440,941.73	1,565,413,108.80
Net profit attributable to shareholders of the Company, net of nonrecurring gains and losses	3=1-2	-283,106,559.70	-1,017,092,770.26
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 the month following the month in which the number of shares is increased to the end of the period (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the month following the month in which the number of shares is decreased to the end of the year	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		
Basic earnings per share (I)	14=1 ÷ 12	2.5910	0.3879
Basic earnings per share (II)	15=3 ÷ 13	-0.2003	-0.7196
Potential diluted interests of ordinary shares recognised as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted earnings per share (I)	20=[1+(16-18) × (1-17)] ÷ (12+19)	2.5910	0.3879
Diluted earnings per share (II)	21=[3+(16-18) × (1-17)] ÷ (13+19)	-0.2003	-0.7196

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(79) Dividends

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

1. Year ended 31 December 2019

Pursuant to a resolution of the annual general meeting of 2018 of the Company held on 28 May 2019, the Company will not distribute dividend or increase its share capital by way of capitalisation of capital reserve for 2018.

2. Year ended 31 December 2020

Pursuant to a resolution of the annual general meeting of 2019 of the Company held on 12 June 2020, the Company will not distribute dividend or increase its share capital by way of capitalisation of capital reserve for 2019.

VI. CHANGES IN SCOPE OF CONSOLIDATION

(1) Business combination not under common control

1. Business combination the year

Name of acquiree	Time of equity acquisition	Cost of equity acquisition	Percentage of equity acquisition (%)	Way of equity acquisition	Date of purchase	Basis for determination of date of purchase	Revenue of the acquiree from the date of purchase to the end of period	Net profit of the acquiree from the date of purchase to the end of period
Nanfeng Environment Co., Ltd.	January 2020	78,750,677.93	95.00	Combination not under common control achieved in stage	20 January 2020	The payment for the equity transfer and the registration of equity change were completed.	30,277,682.31	-1,009,656.44

Explanation of the time point, cost, ratio and method of acquiring equity in the previous and current periods:

- (1) Nanfeng Environment Co., Ltd. was jointly funded and established by the Group and Guangzhou Guanggong Asset Management Co., Ltd. in May 2017, of which the Group invested RMB 60,000,000 and held 60% of the shares. As the articles of association of the company stipulated that all resolutions must be passed by more than two-thirds of the voting rights (or votes) of the general meeting and the board of directors, the Group was unable to exercise control over it.
- (2) In January 2020, the Group acquired 35% equity interests in Guangzhou Guanggong Asset Management Co., Ltd. at a consideration of RMB27,901,825.00. After the acquisition, the Group held its 95% equity interests and amended the above-mentioned related content of its articles of association, and therefore, was able to exercise control over it.

2. Consideration for combination

Consideration for combination	Nanfeng Environment Co., Ltd.
Cash	27,901,825.00
Fair value at acquisition date of equity held before acquisition date	50,848,852.93
Total combination cost	78,750,677.93
Less: fair value of acquiree's identifiable net assets	80,510,683.80
The difference between fair value of acquiree's identifiable net assets and combination cost	<u>-1,760,005.87</u>

Explanation of recognition of the fair value of combination cost:

The appraised net asset value of the Company at the end of 2018 is continuously calculated as the share of the net assets of combination until 31 January 2020 as the fair value of the combination cost.

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3. Recognisable assets and liabilities of the acquiree on the date of purchase

Name of Company	Nanfeng Environment	
	Fair value on the date of purchase	Book value on the date of purchase
Assets :		
Cash at bank and on hand	17,195,407.31	17,195,407.31
Accounts receivable	133,690,696.85	133,690,696.85
Inventories	30,394,057.34	30,394,057.34
Other current assets	9,130,013.47	9,130,013.47
Long-term equity investments	5,494,132.10	5,494,132.10
Fixed assets	23,635,252.92	23,790,479.77
Projects under construction	7,774,091.60	7,774,091.60
Intangible assets	182,830.42	182,830.42
Long-term prepaid expenses	1,406,919.06	1,406,919.06
Other non-current assets	17,987.00	17,987.00
Total assets	228,921,388.07	229,076,614.92
Liabilities:		
Borrowings	25,000,000.00	25,000,000.00
Payables	101,097,513.79	101,097,513.79
Total liabilities	126,097,513.79	126,097,513.79
Net assets:	102,823,874.28	102,979,101.13
Less: minority interests	18,075,786.00	18,075,786.00
Total equity attributable to shareholders of the Company	84,748,088.28	84,903,315.13
Shareholding ratio of acquiree (%)	95.00	95.00
Acquired proportion attributable to the acquiree	80,510,683.80	80,658,149.37

Method for determining the fair value of identifiable assets and liabilities:

The appraised net asset value of the Company at the end of 2018 is continuously calculated as the share of the net assets of combination until 31 January 2020 as the fair value of the combination cost.

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4. Gain or loss arising from equity shares before purchasing date re-calculated per fair value

Name of acquiree	Carrying value at acquisition date of existing shareholdings prior to acquisition date	Fair value at acquisition date of existing shareholdings prior to acquisition date	Gains or losses recalculated by fair value of existing shareholdings prior to acquisition date	Methods and major assumptions by which the fair value of the original equity held by the company prior to the acquisition date is deter-mined	The amount of other comprehensive income that is associated with the original equity held by the Company prior to the acquisition date and recognized as investment income
Nanfeng Environment Co., Ltd.	50,848,852.93	50,848,852.93	0	See other explanations	0

Other explanations:

Shanghai Orient Appraisal Co., Ltd. carried out a valuation of all shareholders' interest of Nanfeng Environment on 31 December 2018, and issued an Asset Evaluation Report of the Total Equity Value (Dong Zhou Ping Bao Zi [2019] No. 0141-1), the total equity value of shareholders on 31 December 2018 was RMB79,719,472.07.

As there is a 13-month gap between the valuation base date (31 December 2018) and the purchase date (31 January 2020), but the original equity interest held at the date of this purchase is still determined based on the value of all shareholders' equity as of 31 December 2018, based mainly on the following assumptions:

- (1) It is assumed that all assets to be appraised are in the trading process, and the appraisal is based on the simulated market including the trading conditions of the assets to be appraised by the asset valuer.
- (2) It is assumed that the market conditions for which its assets intend to enter are fully developed and perfect and a willing buyer and a willing seller each has, on an equal status, the opportunities and time to obtain market information, whereby the transaction is conducted on a voluntary, rational, non-mandatory and unrestricted basis by the buyer and the seller.
- (3) It is assumed that it is capable of continuous and legal operation in its status quo with the existing assets, resources and conditions during its term of operation in the foreseeable future. There will not be any material adverse changes to its operating conditions.

(2) Disposal of equity interests in subsidiaries in the year

1. Details of cessation of control arising from one-off disposal of investment in subsidiaries

Subsidiaries	Consideration for equity disposal	Percentage of equity disposal(%)	Method of equity disposal	Timing of losing control	Basis for determination of timing of losing control	Difference between consideration for disposal and net assets of the subject subsidiary attributable to the Company under consolidated financial statements	Ratio of the remaining equity at the date of losing control(%)	Book value of the remaining equity at the date of losing control	Fair value of the remaining equity at the date of losing control	Gain/loss arising from remeasurement of remaining equity at fair value	Recognition and assumption for fair value of the remaining equity at the date of ceased control	Profit arising from transformation of other comprehensive income which is related to equity investment the original subsidiary
Guangzhou Shipyard International Company Limited	2,857,883,200.00	27.4214	Assignment by agreement	1 March 2020	Substantive approval process completed for share transfer	1,041,208,429.17	46.3018	3,067,506,104.87	4,825,615,654.18	1,758,109,549.31	See other explanations	0

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Other explanations:

1 · The first extraordinary general meeting of 2019 held on 23 October 2019, approved the matters relating to the disposal of 27.4214% of the equity interests in Guangzhou Shipyard International Company Limited* (廣船國際有限公司) by the Company to CSSC Holdings at a consideration of RMB2,857,883,200.00 where CSSC Holdings shall pay the transfer consideration by way of non-public issuance of its A shares to the Company. In February 2020, China Securities Regulatory Commission issued "Reply in relation to Approving the issuance of Shares of China CSSC Holdings Ltd. to China State Shipbuilding Corporation Limited for Assets Acquisition and Fundraising" (Zheng Jian Xu Ke [2020] No. 225) to approve the CSSC Holdings to issue shares to the Company and other specified investors to purchase 27.4214% of Guangzhou Shipyard International Company Limited and related assets. In February 2020, the Company's shareholding ratio in GSI was changed from 73.7232% to 46.3018% due to the disposal of part of the equity. It lost its control of GSI and was no longer included in the scope of the consolidation. However, the Company was able to have significant influence on GSI after the disposal, and therefore, it used the equity method for accounting, and which is used for adjustment when deemed to be acquired.

The transaction had completed all substantive approval procedures before 1 March 2020, and 1 March 2020 was taken as the time for loss of control.

2. Shanghai Orient Appraisal Co., Ltd carried out a valuation of all shareholders' interest of GSI on 30 April 2019 (Dong Zhou Ping Bao Zi [2019] No. 0530), the total equity value of shareholders of GSI on 30 April 2019 was RMB10,541,090,834.88.

As the distance between the valuation date (30 April 2019) and the time of loss of control (29 February 2020) are less than one year, the fair value of the remaining equity on the date of loss of control is still determined based on the total equity value of shareholder on the 30 April 2019, which is based on the following assumptions:

- (1) It is assumed that, under the current status of its assets and resources, the appraised entity could continue its production and operation business as it is lawfully during the term of operation in foreseeable future, without undergoing material and adverse changes in its operation.
- (2) It is assumed that the outer economic environment concerning the country's current and relevant laws, macroeconomy, financial and industrial policy will not undergo unforeseeable material unfavourable changes after the date of valuation, nor will there be any material impact caused by force majeure and any other unforeseeable factor.
- (3) It is assumed that the socio-economic environment of where it is located, and the fiscal policies thereof, such as taxation and tax rates, have not undergone material changes; and that the financial policies, including credit policies, interest rates and exchange rates, remain generally stable.
- (4) The current and future operations of it are in compliance with laws and regulations, and in line with relevant agreements in its business license and articles of association.

(3) Changes in the consolidation scope for the year

The consolidation scope of the Group increased by 3 subsidiaries and decreased by 18 subsidiaries during the year, as follows:

As a result of the matters described in (1) above, the scope of the Group's consolidation in the current period has added three subsidiaries including Nanfang Environment Co., Ltd., Jiangxi South Ring Environmental Protection Co., Ltd. and Hebei South Ring City Mineral Development Co., Ltd..

As a result of the matters described in (2) above, since 1 March 2020, Guangzhou Shipyard International Company Limited and its subsidiaries will no longer be included in the scope of the consolidation. The scope of consolidation of the Group for the current period reduced 17 subsidiaries, namely: Guangzhou Shipyard International Company Limited ("GSI"), Guangzhou Longxue Pipe Co., Ltd. ("Longxue Pipe"), Guangzhou United Steel Structures Limited ("United Steel"), Guangdong Shipyard International Elevator Co. Ltd ("Elevator Co."), Guangzhou Hongfan Technology Co., Ltd ("Hongfan Technology"), Guangzhou Guangli Shipbuilding Human Resources Service Company Limited ("Guangli"), Guangzhou Hongfan Hotel Co., Ltd. ("Hongfan Hotel"), Glory Group Development Limited ("Glory Group"), Fonkwang Development Limited ("Fonkwang"), Eastwell Engineering Limited ("Eastwell Engineering"), Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd. ("Equipment Company"), Zhongshan GSI Marine Engineering Company Limited ("Zhongshan GSI"), Guangzhou Wencheng Shipbuilding Co., Ltd, Nanfang Environment Co., Ltd., Jiangxi South Ring Environmental Protection Co., Ltd. and Hebei south city of Mineral Development Co., Ltd..

In October 2020, Guangdong Wenchuan Yuansheng Construction Co., Ltd., a subsidiary of CSSC Huangpu Wenchong Shipbuilding Company Limited, was deregistered and no longer included in the scope of consolidation of the Group.

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VII. INTERESTS IN OTHER ENTITIES

(1) Interests in subsidiaries

1. Composition of the Group

Name of subsidiary	Place of registration and principal operation	Business Nature	Registered capital (RMB in ten thousand)	Percentage of shareholding (%)		Acquisition method	Type of legal person
				Direct	Indirect		
Subsidiary indirectly held through two level structures: Huangpu Wenchong Subsidiaries	Guangzhou	Shipbuilding	361,918.32	54.5371		Business combination under common control	Other company with limited liability
Subsidiaries indirectly held through three level structures: Huangchuan Ocean Engineering	Guangzhou	Shipbuilding	6,800		100.00	Business combination under common control	Company with limited liability (wholly-owned by legal person)
Zhanjiang Nanhai	Zhanjiang	Provision of labour services	200		40.50	Business combination under common control	Company with limited liability (State-controlled)
Xinhang	Guangzhou	Provision of labour services	200		75.00	Business combination under common control	Other company with limited liability
Xingji	Guangzhou	Professional technical services	500		37.50	Establishment through investment	Company with limited liability (Taiwan, Hong Kong, Macao and domestic joint venture)
Wah Loong	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment	Other company with limited liability (Wholly state-owned)
Wah Shun	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment	Other company with limited liability (Wholly state-owned)
Wenchuan Heavy Industrial	Guangzhou	Equipment manufacturing	11,000		100.00	Business combination under common control	Company with limited liability (wholly-owned by legal person)
Wenchong Shipyard	Guangzhou	Shipbuilding	142,017.85		100.00	Business combination under common control	Company with limited liability (wholly-owned by legal person)
Wenchong Bingshen	Guangzhou	Equipment manufacturing	560		60.00	Business combination under common control	Company with limited liability (Sino-foreign joint venture)
CSSC Internet	Guangzhou	Information electronic technology services	5,000		100.00	Establishment through investment	Company with limited liability (wholly-owned by legal person)
Subsidiaries indirectly held through four level structures: CSSC New Energy	Guangzhou	Liquefied petroleum production and supply	1,800		61.96	Establishment through Investment	Other company with limited liability

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Other explanations:

- (1) Xingji has three shareholders and is held as to 37.5% by Huangpu Wenchong, as to 37.5% by Shanghai Merchant Vessel Design and Research Institute (both under the common control of CSSC), and as to 25% by Yuzhong International Co., Ltd.. Its chairman is appointed by Huangpu Wenchong, which is also responsible for the operation and management of Xingji. Huangpu Wenchong is in a position to control the relevant activities of Xingji. As such, Xingji is included in the scope of consolidation.
- (2) Zhanjiang Nanhai has three shareholders and is held as to 40.50% by Huangpu Wenchong, as to 40% by Guangzhou Shipyard International Company Limited (both under the common control of CSSC), as to 19.50% by CSSC Systems Engineering Research Institute (under the common control of CSSC). Its chairman is appointed by Huangpu Wenchong, which is also responsible for the operation and management of Zhanjiang Nanhai. Huangpu Wenchong is in a position to control the relevant activities of Zhanjiang Nanhai. As such, Zhanjiang Nanhai is included in the scope of consolidation.
- (3) Xingji and Wenchong Bingshen are both sino-foreign joint ventures.

2. Significant non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interests	Gain or loss attributable to minority interests for the year	Dividends declared to minority interests for the year	Ending balance of minority interests
Huangpu Wenchong	45.4629%	11,807,237.32		3,107,979,533.54

3. Major financial information on significant non-wholly-owned subsidiaries

(Unit: RMB in ten thousand)

Name of subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Huangpu Wenchong	2,046,509.82	806,113.91	2,852,623.73	1,870,071.39	263,975.39	2,134,046.78	2,049,336.12	775,233.59	2,824,569.71	1,680,256.19	422,803.33	2,113,059.52

(Continued)

Name of subsidiary	Amount for the year				Amount for last year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Huangpu Wenchong	1,086,953.45	2,742.34	2,277.47	-87,263.60	1,263,749.59	101,482.78	102,168.80	263,824.31

4. Material restrictions on the use of assets of the enterprise group and settlement of debts of the enterprise group

None.

5. Financial or other assistance provided to structured entities included in the consolidated financial statements

None.

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(2) Transactions resulting in the change in percentage of owner's equity in subsidiaries without losing control

None.

(3) Interests in joint ventures or associates

1. Significant joint ventures or associates

Name of associate	Principal place of business	Place of incorporation	Business nature	Percentage of shareholding (%)		Accounting method for investment in joint ventures or associates
				Direct	Indirect	
GSI	Guangzhou	Guangzhou	Metal shipbuilding	46.3018		Equity method

2. Key financial information of significant joint ventures

Item	Nanfang Environment Co., Ltd.	
	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Current assets:		210,041,365.19
Including: Cash and cash equivalents		21,122,753.01
Non-current assets		38,055,405.35
Total assets		248,096,770.54
Current liabilities:		147,535,398.49
Non-current liabilities		
Total liabilities		147,535,398.49
Minority interests		16,558,233.36
Equity attributable to shareholders of the Company		84,003,138.69
Share of net assets based on shareholding percentage		50,401,883.21
Adjustments		-93,136.11
Carrying amount of equity investments in joint ventures		50,308,747.10
Fair value of investments in joint ventures with public quoted prices		
Operating income	13,125,155.16	566,560,189.09
Finance costs	407,820.17	4,063,377.15
Income tax expense	78,949.46	4,360,373.16
Net profit	2,417,729.08	6,565,074.89
Total comprehensive income	2,417,729.08	6,565,074.89
Dividends received from joint ventures during the year		

Other explanations: Before 1 February 2020, the Group had 60% of shareholding in Nanfang Environment Co., Ltd.. The Group and other shareholders implemented common control on Nanfang Environment Co., Ltd and equity method was adopted for accounting. Nanfang Environment had become a Shareholding Subsidiary of GSI on 1 February 2020 and was disposed of with GSI on 1 March 2020. (please see note VI).

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3. Key financial information of significant associates

Item	GSI	
	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Current assets:		
Including: Cash and cash equivalents	14,764,793,154.85	
Non-current assets	3,504,038,266.08	
Total assets	9,873,927,567.35	
Current liabilities:	24,638,720,722.20	
Non-current liabilities	16,698,856,953.37	
Total liabilities	837,700,568.92	
Minority interests	17,536,557,522.29	
Equity attributable to shareholders of the Company	87,155,848.87	
Share of net assets based on shareholding percentage	7,015,007,351.04	
Adjustments	3,167,509,541.67	
Carrying amount of equity investments in associates	1,758,109,549.31	
Fair value of investments in joint ventures with public quoted prices	4,925,619,090.98	
Operating income	10,464,369,486.55	
Finance costs	147,648,945.99	
Income tax expense	1,242,400.02	
Net profit	85,361,954.98	
Other comprehensive income	-4,741,755.59	
Total comprehensive income	80,620,199.39	
Dividends received from associates during the year		

4. Aggregated financial information of insignificant joint ventures and associates

Item	Ending balance/ Amount for the year	Beginning balance/ Amount for last year
Joint ventures:		
Total carrying amount of investments		1,215,232.17
Amounts in aggregate in proportion to the shareholdings		
– Net profit		908,404.02
– Other comprehensive income		
– Total comprehensive income		908,404.02
Associates:		
Total carrying amount of investments	12,658,556.12	702,170,743.36
Amounts in aggregate in proportion to the shareholdings		
– Net profit	3,474,284.90	8,821,309.71
– Other comprehensive income		
– Total comprehensive income	3,474,284.90	8,821,309.71

5. Major restrictions on the ability of joint venture or associate to transfer funds to the Company

None

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VIII. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include borrowings, receivables, payables, investment in equity instruments not held for trading and forward exchange contracts. For details for each financial instrument, please see Note V. The risks related to these financial instruments, and the Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure by the management of the Group is to ensure that these risks mentioned above are controlled within a reasonable range.

(1) Various risk management objectives and policies

The risk management objectives of the Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyse all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

1. Market risk

1) Foreign currency risk

The Group's foreign exchange exposure is mainly related to USD, HKD and EUR. Except that the Group is using foreign currencies including USD, HKD and EUR for sales and purchase transactions in respect of shipbuilding business, other main business operations of the Company are denominated and settled in RMB. As at the end of the year, except for assets and liabilities with balances in USD, HKD, MOP, EUR, GBP, JPY and Norwegian Krone set out below, all other assets and liabilities of the Group were denominated in RMB. The recognised assets and liabilities in USD and the unrecognised ship settlement in USD shown in the table below, leading to foreign currency risk, may affect the results of operation of the Group.

Item	Ending balance	Beginning balance
Cash and cash equivalents-USD	116,885,227.02	98,777,370.58
Cash and cash equivalents-HKD	3,276,975.50	106,160,048.27
Cash and cash equivalents-EUR	570,220.71	20,607,870.44
Cash and cash equivalents-JPY		125,333.00
Cash and cash equivalents-GBP		917.30
Cash and cash equivalents-Norwegian Krone		6.50
Accounts receivable-USD	87,851,470.20	169,159,650.49
Accounts receivable-HKD	9,703,499.95	35,257,673.77
Accounts receivable-EUR		5,279.42
Accounts receivable-MOP		3,277,585.17
Other receivables-USD		12,613,386.96
Other receivables-HKD		8,268,175.60
Other receivables-EUR		110,400.00
Interest receivable-USD		9,843.67
Interest receivable-HKD		232,606.82
Long-term receivables due within one year-USD		183,760,873.27
Long-term receivables-USD	205,342,997.34	
Accounts payable-USD	81,138,152.36	3,537,020.98
Accounts payable-EUR		55,200.00
Accounts payable-HKD		16,625,835.44
Other payables-USD		2,573,494.66
Other payables-HKD	41,174.00	6,620,458.42
Interest payable-USD		58,878.30
Short-term borrowings-USD		34,598,800.00
Short-term borrowings-EUR		
Long-term receivable-HKD		2,731,500.00

The Group pays close attention to the impact of exchange rate changes on the Group, and attaches importance to the study of exchange rate risk management policies and strategies. It adjusts the structure of foreign currency assets or liabilities in view of the trend of exchange rate changes or enters into forward exchange trading contracts (forward exchange settlement), exchange swaps, exchange option trading portfolio contracts with banks to reduce the impact of exchange rate risk.

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2) Interest rate risk

The interest rate risk of the Group is generated from bank borrowings with interest rate. Floating-rate financial liabilities expose the Group to cash flow interest rate risk, and fixed-rate financial liabilities expose the Group to fair value interest rate risk. The Group adjusts the relative percentage of contracts with floating rates and fixed rates in view of the then market environment. As at the end of the year, the Group's bank borrowings mainly included fixed interest rate contracts denominated in RMB and USD with total amount of RMB3,916,800,000.00 (at the beginning of the year: RMB8,231,739,148.56) and floating interest rate contracts denominated in RMB and USD with total amount of RMB3,105,000,000.00 (at the beginning of the year: RMB6,205,000,000.00).

The risk of changes in fair value of financial instrument of the Group caused by changes in interest rate is mainly related to bank borrowings with fixed interest rate. As for the borrowings with fixed interest rate, the goal of the Group is to keep these borrowings with floating interest rate.

The risk of changes in cash flows of financial instrument of the Group caused by changes in interest rate is mainly related to bank borrowings with floating interest rate. It is the policy of the Group to keep these borrowings with floating interest rate, in order to eliminate the risk in fair value related to changes in interest rate.

3) Price risk

The Group undertakes sales orders for shipbuilding and ship maintenance, offshore engineering products and electromechanical products at market price, and is subject to the price fluctuations.

2. Credit risk

As at the end of the year, the Group's potential maximum exposure to credit risk is mainly because of the counterparties' failure to perform their obligations leading to losses or financial guarantee related to the Group and the financial burden assumed by the Group, including:

Book value of the recognised financial assets in the consolidated balance sheet; as for financial instruments measured at fair value, book value reflects their exposures to risks, but not the maximum exposure to risks which shall be changed as changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit and executing supervisory procedures, has been established within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. In addition, the Group reviews the collection of each single receivable at the balance sheet date to ensure sufficient provision for bad debts is made for unrecoverable amounts. Therefore, the management considers that credit risks facing the Group have been reduced significantly.

The current funds of the Group are deposited in financial institutions including banks with high credit ratings, thus the credit risk of current funds is relatively low.

The Group has adopted necessary policies to ensure that all clients have good credit history. The Group has no other significant concentration of credit risk except for the top five accounts receivable and long-term receivables.

Top five accounts receivable amounted to RMB617,798,548.27 (at the beginning of the year: RMB902,084,695.32) in total; long-term receivables amounted to RMB2,061,116,322.61 (at the beginning of the year: RMB2,827,870,145.86) in total.

3. Liquidity risk

Liquidity risk refers to the risk that the Group could not meet its financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of reputation of the Group. The analysis of liabilities structure and durations is made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutions to maintain the credit lines and reduce liquidity risks.

The sources of funding of the Group are mainly from bank borrowings. As at the end of the year, the unutilised bank facilities of the Group were RMB16,848 million (at the beginning of the year: RMB26,078 million).

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At the end of the year, the analysis of financial assets and financial liabilities held by the Group by maturity of undiscounted remaining contractual obligations is as follows:

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Total financial assets	11,888,998,343.23	940,906,144.60	546,172,726.53	4,160,460,211.42	17,536,537,425.78
Cash at bank and on hand	8,767,750,124.49				8,767,750,124.49
Financial assets					
held-for-trading	1,055,191,244.71				1,055,191,244.71
Notes receivable	161,625,007.63				161,625,007.63
Accounts receivable	1,264,356,804.96				1,264,356,804.96
Other receivables	132,792,392.12				132,792,392.12
Long-term receivables	507,282,769.32	940,906,144.60	546,172,726.53	236,679,717.08	2,231,041,357.53
Investments in other equity instruments				3,923,780,494.34	3,923,780,494.34
Total long-term receivables	13,049,943,473.79	871,369,522.09	89,316,324.53	1,538,672,871.37	15,549,302,191.78
Short-term borrowings	2,075,137,777.81				2,075,137,777.81
Notes payable	2,292,202,595.08				2,292,202,595.08
Accounts payable	5,587,133,569.37				5,587,133,569.37
Other payables	158,810,463.41				158,810,463.41
Employee benefits payable	851,463.48				851,463.48
Long-term employee benefits payable	15,918,876.53	15,918,876.53	44,322,804.53	115,815,004.70	191,975,562.29
Long-term borrowings	2,919,888,728.11	855,450,645.56	44,993,520.00	1,422,857,866.67	5,243,190,760.34

(2) Sensitivity analysis

The Group adopts sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

1. Exchange rate risk sensitivity analysis

The assumption of exchange risk sensitivity analysis: all overseas net operational investment hedge and cash flow hedge are highly effective.

Based on the above assumptions, with other variables unchanged, the exchange rate might float within a reasonable range, the after-tax effect of reasonable exchange rate fluctuations on current profit or loss is as follows:

Item	Change in exchange rate	Current year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Strengthen by 5% against RMB	81,066,615.23	81,066,615.23	414,362,556.01	414,362,556.01
USD	Weaken by 5% against RMB	-81,066,615.23	-81,066,615.23	-458,061,796.56	-458,061,796.56

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2. Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis is based on the following assumptions: Changes in market interest rate affect the interest income or expenses of floating-rate financial instruments; For fixed-rate financial instruments measured at fair value, the changes in market value affect their interest income or expenses only; Changes in fair value of derivative financial instruments and other financial assets and liabilities are calculated using cash flow discount method and the market interest rate at the balance sheet date.

Based on the above assumptions, with other variables unchanged, the after-tax effect of reasonable interest rate fluctuations on current profit or loss is as follows:

Item	Change in interest rate	Current year		Last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-23,287,500.00	-23,287,500.00	-21,243,109.15	-21,243,109.15
Floating-rate borrowings	Decrease by 1%	23,287,500.00	23,287,500.00	21,243,109.15	21,243,109.15

IX. FAIR VALUE

(1) Fair value of assets and liabilities measured at fair value at the end of the year and fair value measurement hierarchy

Item	Fair value at the end of the year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Fair value measurement on a recurring basis	3,890,470,958.74	193,115,008.10	895,385,772.21	4,978,971,739.05
(1) Financial assets held-for-trading	1,642,611.95	193,115,008.10	860,433,624.66	1,055,191,244.71
① Classified as financial assets at fair value through profit or loss	1,642,611.95		860,433,624.66	862,076,236.61
② Designated as financial assets at fair value through profit or loss		193,115,008.10		193,115,008.10
(2) Investment in other equity instruments	3,888,828,346.79		34,952,147.55	3,923,780,494.34
① Investment in other equity instruments at fair value through other comprehensive income	3,888,828,346.79		34,952,147.55	3,923,780,494.34
Total assets measured at fair value on a recurring basis	3,890,470,958.74	193,115,008.10	895,385,772.21	4,978,971,739.05

(2) Basis for determination of level 1 fair value measurement on recurring and non-recurring basis

Of the investments in equity instruments held and not held for trading measured at fair value, the fair value of the shares of listed companies held by the Group was determined based on the closing price at 31 December 2020.

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(3) Basis for determination of level 2 fair value measurement on recurring and non-recurring basis

For forward exchange contracts measured at fair value out of financial assets held-for-trading and financial liabilities held-for-trading, for the sake of prudence, the Company chooses quotations from one bank as inputs and recognises their fair values based on the difference between the quoted exchange rate at the balance sheet date from the bank and the contract exchange rate, using the benchmark loan interest rate for the corresponding term published by the People's Bank of China as the discount rate.

(4) Valuation techniques and qualitative and quantitative information for level 3 items continuing or not continuing to be measured at fair value

For the equity investments held by the Group in unlisted companies out of investments in equity instruments not held for trading measured at fair value, the Group determines their fair values using valuation techniques. The valuation model adopted is mainly the discounted cash flows model, and the inputs to valuation techniques mainly included expected yield, expected term and weighted average capital cost.

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS

(i) Relationship with related parties

1. Controlling shareholder and ultimate controller

(1) Controlling shareholder and ultimate controller

Name of controlling shareholder and ultimate controller	Place of incorporation	Business nature	Registered capital	Shareholding percentage in the Company (%)	Percentage of voting rights in the Company (%)
CSSC	Shanghai	Shipbuilding	RMB32 billion	34.36	58.83

Note: On 19 February 2021, the direct and indirect shareholding of CSSC was 58.52% and the proportion of voting rights in the Company became was 58.52%.

The ultimate controlling party of the enterprise is the State-owned Assets Supervision and Administration Commission of the State Council.

(2) Controlling shareholder's registered capital and its changes

Controlling shareholder	Beginning balance	Increase for the year	Decrease for the year	Ending balance
CSSC	RMB32 billion			RMB32 billion

(3) Shareholding of controlling shareholder and its parties acting in concert and changes

Controlling shareholder	Shareholding amount		Percentage of shareholding (%)		Remarks
	Ending balance	Beginning balance	Percentage at the end of the year	Percentage at the beginning of the year	
CSSC	485,687,700.00	501,745,100.00	34.36	35.50	Parties acting in concert
CSSC International	345,940,890.00	345,940,890.00	24.47	24.47	
Total	831,628,590.00	847,685,990.00	58.83	59.97	

2. Subsidiaries

Please refer to Note VII (1) "Composition of the Group" for details of the subsidiaries of the Company.

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3. Other related parties

Type of relationship	Name of related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common ultimate controller	China Shipbuilding Industry Corporation	Asset reorganization	9111000071092446XA	Company with limited liability (Wholly state-owned)
Common controlling shareholder	China CSSC Holdings Limited	Asset reorganization	91310000631899761Q	A-Share Listed joint stock company (state-controlled)
Common controlling shareholder	Guangzhou Shipyard Co., Ltd	Purchase of goods and receipt of services services Product and equipment	91440101190440532F	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and labour technical services	914504001991247986	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	913604007697501774	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	913604007697567041	Company with limited liability (Wholly state-owned)
Common controlling shareholder	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Product and equipment	913201151349053822	Company with limited liability
Common controlling shareholder	Shanghai Merchant Vessel Design and Research Institute	Marine accessories and labour technical services		Public institution
Common controlling shareholder	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Marine accessories	91440101056586979E	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	Anqing CSSC Diesel Engine Co., Ltd.	Product and equipment	91340800151306277Q	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Marine Power Co. Ltd.	Marine accessories, product and equipment	913211007317784309	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China Shipbuilding NDRI Engineering Co., Ltd.	Labour and technical services services	91310107425014619A	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Guangzhou Ship Industrial Co., Ltd.	Purchase of goods and receipt of services	91440101190506722Q	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	Marine Design and Research Institute of China	Purchase of goods and receipt of services	1210000425007603X	Public institution
Common controlling shareholder	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories, product and equipment	91310115669401543C	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Xijiang Shipbuilding Co., Ltd.	Purchase of goods	91450200198600924X	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Guijiang Shipbuilding Co., Ltd.	Purchase of goods and receipt of services, Sales of goods and provision of services	91450400199125619J	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China United Shipbuilding Company Limited	Purchase of goods and receipt of services	Overseas company	Other Company with limited liability (Wholly state-owned)
Common controlling shareholder	China Ship Power Station Equipment Co., Ltd.	Product and equipment	91310115756976070P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Purchase of goods and receipt of services	91310101766907124E	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Purchase of goods and receipt of services	91310107132943529A	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China Shipbuilding Technology Institute	Purchase of goods and receipt of services		Public institution
Common controlling shareholder	CSSC Heavy Equipment Co., Ltd.	Labour and technical services services	91440101799437720A	Other company with limited liability
Common controlling shareholder	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Labour and technical services services	91310107755729481K	Company with limited liability (State-controlled)
Common controlling shareholder	Anqing Marine Electric Co., Ltd.	Purchase of goods	913408007711027188	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)

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Type of relationship	Name of related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common controlling shareholder	China Shipbuilding IT Co., Ltd.	Sales of goods and provision of services	911101088020423339	Other company with limited liability
Common controlling shareholder	China Shipbuilding Trading Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91110000100001027Q	Company with limited liability (State-controlled)
Common controlling shareholder	China Shipbuilding International Trading Co., Ltd.	Purchase of goods and receipt of services	91310115703424416U	Company with limited liability (State-controlled)
Common controlling shareholder	Ships and Ocean Engineering Design and Research Institute of Guangzhou	Sales of goods and provision of services	914401011904583375	Ownership by the whole people
Common controlling shareholder	CSSC Chengxi Shipbuilding Co., Ltd.	Sales of goods and provision of services, assets leases	91320281142243024W	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Sales of goods and provision of services	913101156314236324	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Science & Technology Co., Ltd.	Sales of goods and provision of services	913100001322836634	A-Share Listed joint stock company (State-controlled)
Common controlling shareholder	CSSC Finance Company Limited	Receipt of financial services	91310115100027155G	Other company with limited liability
Common controlling shareholder	Guangzhou Shipyard HR Service Co., Ltd.	Labour and technical services	91440103664021381U	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Construction of fixed assets	91440101759441020N	Company with limited liability (Wholly state-owned)
Common controlling shareholder	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Purchase of goods and receipt of services	91360429598860469Y	Other company with limited liability
Common controlling shareholder	CSSC Marine Technology Co., Ltd.	Purchase of goods and receipt of services	91310115767236625B	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Shanghai Ship Industrial Co., Ltd.	Purchase of goods and receipt of services	913101101322048301	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China Shipbuilding Trading Shanghai Co., Ltd.	Purchase of goods	913101151322076441	Other company with limited liability
Common controlling shareholder	CSSC Systems Engineering Research Institute	Purchase of goods and receipt of services		Public institution
Common controlling shareholder	CSSC (Hong Kong) Shipping Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	Overseas company	H Share Listed Joint Stock Company Limited (State-controlled)
Common controlling shareholder	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91440101677764045H	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sale of goods and provision of services	91450700059544985W	Other company with limited liability
Common controlling shareholder	China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91310110051227838H	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Electronic Technology Co., Ltd.	Purchase of goods and receipt of services	9111011510201629XL	Company with limited liability (State-controlled)
Common controlling shareholder	CSSC Chengxi Xinrong Shipbuilding Company Limited	Sale of goods and provision of services	91321200755884625J	Company with limited liability (Taiwan, Hong Kong, Macau and domestic joint venture)
Common controlling shareholder	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Purchase of goods and receipt of services	913211917820673134	Company with limited liability (Taiwan, Hong Kong, Macau and domestic joint venture)
Common controlling shareholder	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91310000765585565P	Company with limited liability (Sino-foreign joint venture)
Common ultimate controller	Shanghai CSSC Materials Engineering Co., Ltd.	Purchase of goods and receipt of services	913101155931088252	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Zhenhua Engineering Consulting Co., Ltd.	Purchase of goods and receipt of services	91310107631898873Q	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91310000631140202F	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

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Type of relationship	Name of related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common controlling shareholder	Shanghai Shenbo Information System Engineering Co., Ltd.	Purchase of goods and receipt of services	913101046309035540	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of goods and receipt of services	913101071329233921	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Haixun Electrical Engineering Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91310118751896055E	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Dongxin Software Engineering Co., Ltd.	Purchase of goods and receipt of services	9131000073745754XT	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)
Common controlling shareholder	China State Shipbuilding Corporation No.11 Research Institute	Purchase of goods and receipt of services		Public institution
Common controlling shareholder	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Purchase of goods and receipt of services	91320114742362916X	Company with limited liability
Common controlling shareholder	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and receipt of services	91360400705640569G	Ownership by the whole people
Common controlling shareholder	Jiangxi CSSC Navigation Instrument Co., Ltd.	Purchase of goods and receipt of services	913604021595005410	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Jiangnan Shipbuilding (Group) Co., Ltd.	Sale of goods and provision of services	913100001322043124	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Wah-Chang International Marine Industry Company Limited	Sale of goods and provision of services	Overseas company	Other company with limited liability (Wholly state-owned)
Common controlling shareholder	Haiying Enterprises Group Co., Ltd.	Purchase of goods and receipt of services	913202141347573676	Company with limited liability
Common controlling shareholder	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and receipt of services	91110106082890640P	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	Technician Training School of Guangzhou Shipyard	Rendering of services	12440000574022487N	Public institution
Common controlling shareholder	Workers' Hospital of Guangzhou Huangpu Shipyard	Rendering of services	124400007385780283	Public institution
Common controlling shareholder	Kindergarten of Guangzhou Huangpu Shipyard	Rendering of services	12440000738577981F	Public institution
Common controlling shareholder	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and receipt of services	914401042312505170	Other company with limited liability
Common controlling shareholder	Beijing Lei Yin Electronic Technology Development Co., Ltd.	Purchase of goods and receipt of services	91110106633641027L	Other company with limited liability
Common controlling shareholder	Beijing Ship Industry Management College	Purchase of goods and receipt of services	12110108668420072M	Public institution
Common controlling shareholder	Marinequip China Company Limited	Marine accessories	Overseas company	Other company with limited liability (Wholly state-owned)
Common controlling shareholder	Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Receipt of services and provision of services	123309000620206217	Public institution
Common controlling shareholder	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.	Marine accessories	913206826730198493	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	China Shipbuilding Trading Guangzhou Co., Ltd.	Purchase of goods	91440101MA5AKBD904	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	Guangzhou Shipyard Hospital	Purchase of goods, receipt of services and provision of services	12440000747580541M	Public institution
Common controlling shareholder	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Marine accessories	91321102MA1MQMDU91	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Jiangxi Chaoyang Machinery Co., Ltd.	Purchase of goods	913604001582614892	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Technician Training School of Guangzhou Huangpu Shipyard	Labour and technical services	12440000738592911K	Public institution
Common controlling shareholder	Shanghai Hudong Shipyard Valve Co., Ltd.	services and supply of power Purchase of goods	91310230631147500M	Other company with limited liability

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Common controlling shareholder	Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Labour services	914401010765477665	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories	91310101132203280U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Jiujiang CSSC Trading Co., Ltd.	Labour services	91360403097145985Y	Other company with limited liability
Common controlling shareholder	Shanghai Simifu Industrial Co., Ltd.	Marine accessories	913101151322315056	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Guangzhou GSI Nursing Home Co., Ltd.	Sale of goods	91440101MA59L7Q03T	Public institution
Common controlling shareholder	Jiangyin Huaerxin Special Coating Co., Ltd.	Sale of goods and provision of services	91320281607984632H	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)
Common controlling shareholder	CSSC Marine Services Co., Ltd.	Purchase of goods and receipt of services	91310115MA1K3M2Q92	Other company with limited liability
Common controlling shareholder	CSSC Financial Leasing (Shanghai) Co., Ltd.	Purchase of goods and receipt of services	9131000090006392A	Other company with limited liability (Wholly owned by Hong Kong, Macau and Taiwan legal person)
Common controlling shareholder	China Ship News Agency	Purchase of goods and receipt of services		Public institution
Common controlling shareholder	Beijing CSSC Consulting Co., Ltd.	Purchase of goods and receipt of services	91110108660513848C	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	Shanghai Jiangnan Career Skills Training Center	Purchase of goods and receipt of services	52310101425204260L	Private non-enterprise units
Common ultimate controller	Dalian Shipbuilding Industry Engineering Company	Purchase of goods and receipt of services	912102042430114845	Collective ownership
Common ultimate controller	Dalian Shipbuilding Industry Marine Engineering Company Limited (大連船舶工業海洋工程有限公司)	Purchase of goods and receipt of services	91210246241233809L	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Dalian Ship Valve Company Limited (大連船用閥門有限公司)	Purchase of goods and receipt of services	912102311185217926	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Joint venture of ultimate controller	TTS Bohai Trading (DaLian) Co., Ltd.	Purchase of goods and receipt of services	91210200773011078Y	Company with limited liability (Sino-foreign joint venture)
Common ultimate controller	Henan Diesel Engine Heavy Engineering Co., Ltd.	Purchase of goods and receipt of services	914103006634395595	Other company with limited liability
Common ultimate controller	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Purchase of goods and receipt of services	91370200750419038P	Other Joint Stock Company Limited (Unlisted)
Common ultimate controller	Shaanxi Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91610000755231771E	Company with limited liability (State-controlled)
Common ultimate controller	International Paints of Shanghai Co. Ltd.	Purchase of goods and receipt of services	913101156072425598	Company with limited liability (Sino-foreign joint venture)
Common ultimate controller	Shanghai Hengtuo Industrial Development Co., Ltd. (上海衡拓實業發展有限公司)	Purchase of goods and receipt of services	913101046822767751	Company with limited liability (State-controlled)
Common ultimate controller	Wuhan Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	914201007581511288	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Wuhan Heavy Industry Casting & Forging Co., Ltd.	Purchase of goods and receipt of services	91420100177685180G	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Shanghai Marine Energy Saving Technology Development Co., Ltd	Purchase of goods and receipt of services	91310101324445479M	Other company with limited liability
Common ultimate controller	CSIC Haisheng Technology Co., Ltd. (中船重工海聲科技有限公司)	Purchase of goods and receipt of services	91420500760672977G	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd. (中船重工天禾船舶設備江蘇有限公司)	Purchase of goods and receipt of services	913212830566715245	Company with limited liability
Common ultimate controller	CSIC material trade group Guangzhou Co., Ltd.	Purchase of goods and receipt of services	91440101552381964L	Other company with limited liability
Common ultimate controller	CSIC Zhongnan Equipment Co., Ltd.	Purchase of goods and receipt of services	91420000757020943U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

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Common ultimate controller	CSIC Chongqing Changping Machinery Co., Ltd. (中船重工重慶長平機械有限責任公司)	Purchase of goods and receipt of services	91500101207901754J	Company with limited liability (wholly-owned by legal person)
Common ultimate controller	China National Shipbuilding Equipment & Materials (East China) Co., Ltd	Purchase of goods and receipt of services	91310101132203213X	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	China National Shipbuilding Equipment & Materials (South China) Co., Ltd	Purchase of goods and receipt of services	91440000190332072P	Other company with limited liability
Common ultimate controller	China Shipbuilding Industry Corporation 702 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 709 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 707 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 707 Research Institute Jiujiang branch	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 703 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 704 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 705 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 701 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 7 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 722 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 726 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 723 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 724 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	Purchase of goods and receipt of services, sales of goods and provision of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 718 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 712 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 719 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 716 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 713 Research Institute	Purchase of goods and receipt of services		Public institution

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Type of relationship	Name of related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common ultimate controller	China Shipbuilding Industry Corporation 714 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 711 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	Chongqing Gearbox Co., Ltd	Purchase of goods and receipt of services	915000002035507235	Company with limited liability
Common ultimate controller	Chongqing Huayu Electrical Group Limited (重慶華渝電氣集團有限公司)	Purchase of goods and receipt of services	91500000202826724X	Company with limited liability
Common ultimate controller	Chongqing Yaojin Machinery Plant Co., Ltd. (重慶躍進機械廠有限公司)	Purchase of goods and receipt of services	915000002028992618	Company with limited liability (wholly-owned by legal person)
Common ultimate controller	Wuhan Temo Welding Consumables Co., Ltd.	Purchase of goods and receipt of services	91420107761211961K	Joint Stock Company Limited (Unlisted, invested or controlled by natural person)
Common ultimate controller	Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	913702007335097010	Other company with limited liability
Common ultimate controller	Wuchang Shipbuilding Industry Group Co., Ltd.	Purchase of goods and receipt of services	91420100177688517B	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Dalian Shipbuilding Technology Research Center Co., Ltd. (大連船舶工程技術研究中心有限公司)	Purchase of goods and receipt of services	91210231723461441G	Other company with limited liability
Common ultimate controller	CSSC Dalian New Consumables Co., Ltd. (大連中船新材料有限公司)	Purchase of goods and receipt of services	91210213089099384Y	Other company with limited liability
Common ultimate controller	China Shipbuilding Equipment & Materials Northeast Corporation	Purchase of goods and receipt of services	91210100117660571P	Company with limited liability (State-controlled)
Common ultimate controller	CSSC Dalian Marine Propeller Co., Ltd.	Purchase of goods and receipt of services	912102001184759685	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Chongqing Zhongchi Transportation Co., Ltd. (重慶重齒運輸有限公司)	Purchase of goods and receipt of services	91500116203586718H	Company with limited liability
Common ultimate controller	Zibo Torch Energy Co., Ltd. (淄博火炬能源有限責任公司)	Purchase of goods and receipt of services	91370300164109846C	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	China Shipbuilding Industry Corporation 715 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 717 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 12 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	China Shipbuilding Industry Corporation 710 Research Institute	Purchase of goods and receipt of services		Public institution
Common ultimate controller	Yichang Marine Diesel Co., Ltd	Purchase of goods and receipt of services	91420500179161663U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Wuhan Huazhongtianqin Defense Technology Co., Ltd. (武漢華中天勤防務技術有限公司)	Purchase of goods and receipt of services	914201005879749892	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)
Common ultimate controller	Beijing Ruichifeisi Agency Co., Ltd. (北京瑞馳菲思招標代理有限公司)	Purchase of goods and receipt of services	911101056828826013	Company with limited liability (wholly-owned by legal person)
Common ultimate controller	Beijing Ruichifeisi Agency Co., Ltd. (北京瑞馳菲思招標代理有限公司)	Purchase of goods and receipt of services	914201066654819533	Other company with limited liability
Enterprises under control of joint ventures of controlling shareholder	Enterprises under control of joint ventures of controlling shareholder	assets/Leases	91320281607984632H	Company with limited liability (wholly-owned by legal person)

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Type of relationship	Name of related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Joint ventures of controlling shareholder	TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	9131000607385242T	Company with limited liability (Sino-foreign joint venture)
Subsidiaries of joint ventures of ultimate controller	TTS Hua Hai International Trading Co., Ltd.	Marine accessories	91310115698750056H	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Joint ventures of controlling shareholder	TTS Hua Hai International Trading Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91440101MA5ARBB96R	Company with limited liability (Sino-foreign joint venture)
Common controlling shareholder	Nanfang Environment Co., Ltd.	Sale of goods and provision of services	91440101MA59N24L26	Other company with limited liability
Common ultimate controller	Beijing Bluewave Jinzhao Science and Technology Co., Ltd. (北京藍波今朝科技有限公司)	Purchase of goods and receipt of services	911101147376653304	Company with limited liability (wholly-owned by legal person)
Associates of ultimate controller	Beijing Rui Chi Fei Si Engineering Consulting Co., Ltd. (Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.)	Purchase of goods and receipt of services	91110105756019617C	Other company with limited liability
Common ultimate controller	Beijing the Great Wall Electronic Equipment Co., Ltd.	Purchase of goods and receipt of services	911101081019079710	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	Guangzhou Shipyard International Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	914401017889253316	Company with limited liability (Foreign-invested enterprises and domestic joint ventures)
Common controlling shareholder	Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Purchase of goods and receipt of services	91440000231128917P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Purchase of goods and receipt of services	914500000811760314	Other company with limited liability
Joint venture of ultimate controller	Guangzhou Diesel Engine Factory Co., Ltd. Zhongshan Branch	Sales of goods and provision of services	91442000MA4WT8A901	Other Joint Stock Company Limited branch (Unlisted)
Common controlling shareholder	Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	Purchase of goods and receipt of services	9144010168132734X6	Company with limited liability (Wholly owned by legal person of foreign-invested enterprise)
Common controlling shareholder	Guangzhou Hongfan Technology Co., Ltd.	Purchase of goods and receipt of services	91440101708257645P	Other company with limited liability
Common controlling shareholder	Guangzhou Longxue Pipe Co., Ltd.	Purchase of goods and receipt of services	91440101696938450J	Other company with limited liability
Common controlling shareholder	Guangzhou Hongfan Hotel Co., Ltd.	Purchase of goods and receipt of services	91440101633203529L	Company with limited liability (Wholly owned by legal person of foreign-invested enterprise)
Common controlling shareholder	Guangzhou Wencheng Shipbuilding Co., Ltd.	Sales of goods and provision of services	91440101MA5CY9PU1E	Company with limited liability (wholly-owned by legal person)
Associates of controlling shareholders	Guangzhou Wenchong Industrial Co., Ltd.	Leases	91440101MA5CK3CP5P	Other company with limited liability
Common controlling shareholder	Hebei south city of Mineral Development Co., Ltd.	Sales of goods and provision of services	91130984MA09F3E04T	Other company with limited liability
Common controlling shareholder	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	9131000070326335X7	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Xiamen Sunrui Ship Coatings Co., Ltd.	Purchase of goods and receipt of services	91350200761709479M	Other company with limited liability
Common ultimate controller	Shanxi Fenxi Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	911400007701102654	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Shanghai Shipyard Company Limited (上海船廠船舫有限公司)	Sales of goods and provision of services	913100001323165418	Company with limited liability (Wholly state-owned)
Common ultimate controller	Shanghai Hunter Marine Equipment Co., Ltd.	Purchase of goods and receipt of services	91310230067816848E	Other company with limited liability

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Common ultimate controller	Shanghai Huajing Power Station Equipment Co., Ltd.	Purchase of goods and receipt of services	91310113631256379P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Shanghai Ling Yao Ship Engineering Co., Ltd.	Purchase of goods and receipt of services	91310112055059886N	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Shanghai Qiyao Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	91310112342099741R	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Associates of ultimate controller	Wartsila Qiyao Diesel Co., Ltd. (Shanghai)	Purchase of goods and receipt of services	9131011577851060XQ	Company with limited liability (Sino-foreign joint venture)
Common controlling shareholder	Shanghai Waigaoqiao Shipbuilding & Marine Engineering Design Co.Ltd.	Purchase of goods and receipt of services	91310115742687243M	Other company with limited liability
Common controlling shareholder	Shanghai CSSC Lingang ship Equipment Co., Ltd.	Purchase of goods and receipt of services	913101156746470974	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common controlling shareholder	Suzhou Jianghai Communication Co., Ltd.	Purchase of goods and receipt of services	913205061377183984	Company with limited liability (invested or controlled by natural person)
Common controlling shareholder	Wuxi Haiying Jiake Marine Technology Co., Ltd	Purchase of goods and receipt of services	913202147641831696	Company with limited liability
Associates of ultimate controller	Wuhan Kawasaki Marine Machinery Co.Ltd.	Purchase of goods and receipt of services	91320281607984632H	Company with limited liability (Sino-foreign joint venture)
Common ultimate controller	Wuhan Haiyi Science and Technology Limited Company	Purchase of goods and receipt of services	914201000819651028	Company with limited liability (invested or controlled by natural person)
Common ultimate controller	Wuhan Huazhiyang Technology Co.Ltd.(武漢華之洋科技有限公司)	Purchase of goods and receipt of services	91320281607984632H	Other company with limited liability
Common ultimate controller	Wuhan Langan Technology Co., Ltd.	Purchase of goods and receipt of services	914201005749474475	Company with limited liability (Wholly owned by a legal person invested by natural person or controlled)
Common ultimate controller	Wuhan Changhai Power Propulsion and Chemical Power Co., Ltd.	Sales of goods and provision of services	914201113335685180	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	Xi'an Hualei Machinery and Electronics Group Co., Ltd.	Purchase of goods and receipt of services	91610000779925436W	Other company with limited liability
Common ultimate controller	Yangzhou Haikē Electronic Technology Co., Ltd.	Purchase of goods and receipt of services	91321091729318355G	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Associates of ultimate controller	Yinghui South Marine Tower (Guangzhou Fanyu) Co., Ltd.	Leases	914401136187842302	Other company with limited liability
Associates of controlling shareholders	Wartsila CME Zhenjiang Propeller Co., Ltd.	Purchase of goods and receipt of services	91321191761020727C	Company with limited liability (Sino-foreign joint venture)
Common controlling shareholder	CSSC Marine Power Institute Co., Ltd.	Purchase of goods and receipt of services	91310115566594282C	Company with limited liability (State-controlled)
Common controlling shareholder	CSSC Marine Power Components Co., Ltd.(中船海洋動力部件有限公司)	Purchase of goods and receipt of services	913101157797531368	Other company with limited liability
Common controlling shareholder	CSSC Jiujiang Boiler Co., Ltd.	Purchase of goods and receipt of services	91360406MA388PRP8Q	Other company with limited liability
Common controlling shareholder	China Ship Survey and Research Institute, Pudong Branch	Purchase of goods and receipt of services	91320281607984632H	Ownership by the whole people
Common controlling shareholder	CSSC Wartsila Engine (Shanghai) Co.Ltd.(中船瓦錫蘭發動機(上海)有限公司)	Sales of goods and provision of services	9131011533642099X6	Company with limited liability (Sino-foreign joint venture)
Common controlling shareholder	CSSC Liner Technology Development Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91310115MA1H7TCR9R	Company with limited liability (State-controlled)
Common ultimate controller	CSIS(Shenyang) Microbe Free Technologies Corporation	Purchase of goods and receipt of services	91210100MA0U8RJ615	Company with limited liability (Sino-foreign joint venture)

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Type of relationship	Name of related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Common ultimate controller	CSIC Electrical Machinery Science&Technology Co., Ltd.	Purchase of goods and receipt of services	91320200784951110Y	Joint Stock Company Limited (Unlisted)
Common ultimate controller	CSIC material trade group (Mengla) Co., Ltd.	Purchase of goods and receipt of services	91532823MA6N3YER81	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	CSIC material trade group Wuhan Co., Ltd.	Purchase of goods and receipt of services	91420100663453086G	Other company with limited liability
Common ultimate controller	CSIC material trade group Co., Ltd.	Purchase of goods and receipt of services	91110000710934190A	Company with limited liability (wholly-owned by legal person)
Common controlling shareholder	China Shipbuilding Trading (BVI) Co., Ltd.	Purchase of goods and receipt of services, sales of goods and provision of services	91110000100001027Q	Company with limited liability (State-controlled)
Common ultimate controller	CSIC Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91370211MA3DKDQ98F	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Common ultimate controller	CSSC Haizhuang Windpower Co., Ltd. (中國船舶重工集團海裝風電股份有限公司)	Purchase of goods and receipt of services	915000007562347987	Joint Stock Company Limited
Common ultimate controller	CSIC Heng Yuan Technology Co., Ltd.	Purchase of goods and receipt of services	91500101207901922L	Company with limited liability
Common controlling shareholder	Zhongshan GSI Marine Engineering Company Limited	Leases	91442000684420937T	Other company with limited liability
Common ultimate controller	Chongqing Hengshan Machinery Co., Ltd.	Purchase of goods and receipt of services	91500101207902191J	Company with limited liability (wholly-owned by legal person)
Common ultimate controller	Chongqing Hongjiang Machinery Co., Ltd.	Purchase of goods and receipt of services	915000002028458376	Company with limited liability (wholly-owned by legal person)
Common ultimate controller	Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	Purchase of goods and receipt of services	91320281607984632H	Company with limited liability (wholly-owned by legal person)

Note: In October 2019, CSSC Group performed joint restructuring with China Shipbuilding Industry Corporation (hereinafter referred to as the "CSIC") to newly set up China Shipbuilding Group Co., Ltd.* (中國船舶集團有限公司) (hereinafter referred to as "China Shipbuilding Group"). In November 2019, China Shipbuilding Group, which was newly set up, finished its commercial registration in China's State Administration for Industry and Commerce. On 8 November 2019, members of the Board, Directors, Supervisors, and Senior Management were appointed and the same applied to that of CSSC Group and China Shipbuilding Group. Therefore, CSIC and its subsidiaries became connected parties to the Group and their transactions with the Group became continuous connected transactions.

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(ii) Consolidated related party transactions

The Company and CSSC signed the 2020-2022 Connected Continuing Transaction Framework Agreement and supplementary agreement, whereby both parties provide transactions:

- (1) Provision of products and services by the Group to CSSC Group, including ship products, electromechanical equipment and metal materials, etc., supply of power, leasing, labor and technical services services, etc.;
- (2) Provision of products and services by CSSC Group to the Group, including marine equipment, electromechanical equipment, ancillary parts and material supplies, etc., leasing, labor and technical services services, etc.;
- (3) Provision of financial services by CSSC Group to the Group, including deposit and loan business, other bank credit facilities, forward exchange settlement and sale, entrusted assets and guarantee business;
- (4) Provision of ship sales agency as well as material procurement agency services by CSSC Group to the Group, etc.

The pricing policy of related party transactions: Conducted on normal commercial terms and in the normal and ordinary course of business of the Group (where if there is no or there are not enough transactions for comparison to determine whether the transaction between the parties will be conducted on normal commercial terms, the transaction will be conducted on terms no less favourable than those obtained or entitled from independent third parties by the Group (as the case maybe), and the transaction shall be fair and reasonable to the shareholders of the Company). The parties to the relevant agreements will, if necessary, enter into agreements setting out specific terms (including pricing bases) for each continuing connected transaction.

1. Related party transaction in relation to purchase and sale of goods and provision and receipt of services

(1) Purchase of goods/receipt of services

Related party	Content of transaction	Amount for the year	Amount for last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Materials purchased	2,712,714,009.61	3,407,820,497.27
China United Shipbuilding Company Limited	Marine accessories	124,182,140.54	118,880,606.80
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	433,811,379.37	276,057,076.57
China Shipbuilding Industry Complete Logistics Co., Ltd.	Marine accessories and marine equipment	14,734.52	366,313,484.94
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Marine accessories	76,223,096.94	231,367,324.69
Marinequip China Company Limited	Marine accessories	19,693,903.30	249,259,817.24
CSSC Systems Engineering Research Institute	Marine accessories and marine equipment	231,182,400.00	201,831,444.86
CSSC Marine Power Co. Ltd.	Marine accessories	32,731,585.03	108,352,939.67
China Shipbuilding Industry Corporation 11 Research Institute	Engineering	40,757,430.56	68,484,225.60
China Shipbuilding Industry Corporation 726 Research Institute	Materials purchased	22,775,000.00	66,869,400.00
China Shipbuilding Industry Corporation 713 Research Institute	Materials purchased		56,204,000.00
China Shipbuilding Industry Corporation 712 Research Institute	Materials purchased	3,883,000.00	45,980,000.00
China Shipbuilding NDRI Engineering Co., Ltd.	Technical labour services	9,953,621.12	44,747,652.94
Shanghai Haixun Electrical Engineering Co., Ltd.	Marine accessories	35,309,734.51	41,743,570.23
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labour services	9,033,698.68	30,966,754.39
China Shipbuilding Industry Corporation 715 Research Institute	Materials purchased	561,860,500.00	35,000,000.00
Marine Design and Research Institute of China	Technical labour services	28,595,349.02	57,327,447.42
Haiping Enterprises Group Co., Ltd.	Marine accessories	5,038,000.00	34,298,995.65
China Shipbuilding Industry Corporation 716 Research Institute	Materials purchased	25,096,000.00	34,014,000.00
China National Shipbuilding Equipment & Materials (East China) Co., Ltd	Materials purchased	14,467,138.56	31,881,998.78
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	8,945,414.17	29,623,243.60

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Related party	Content of transaction	Amount for the year	Amount for last year
Guangzhou Shipyard HR Service Co., Ltd.	Labour and technical services		27,317,764.27
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials purchased	7,934,309.03	25,364,897.16
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	74,568,379.84	23,193,908.91
China Shipbuilding Industry Corporation 704 Research Institute	Technical services	27,513,400.00	21,460,000.00
Shanghai Merchant Vessel Design and Research Institute	Labour and technical services	164,299,628.18	21,642,500.00
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Materials purchased	327,433.63	19,492,982.91
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Materials purchased		17,888,404.64
Wuhan Marine Machinery Co., Ltd.	Materials purchased	91,498,337.51	17,699,115.04
China Shipbuilding Industry Corporation 717 Research Institute	Materials purchased	1,440,000.00	17,510,000.00
China Shipbuilding Trading Guangzhou Co., Ltd.	Materials purchased	29,727,243.75	15,475,529.13
CSSC Xijiang Shipbuilding Co., Ltd.	Engineering		13,200,854.70
China Shipbuilding Trading Co., Ltd.	Materials purchased	4,944,199.39	12,524,981.67
China Shipbuilding Industry Corporation 719 Research Institute	Materials purchased	37,876,106.19	11,203,500.00
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Marine accessories	16,255,161.51	11,071,916.18
CSSC Nanjing Luzhou Machine Co., Ltd.	Marine accessories	29,776,912.53	10,370,456.76
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	7,599,724.00	9,966,883.75
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Marine accessories and equipment	8,259,176.11	7,662,579.39
Wuhan Heavy Industry Casting & Forging Co., Ltd.	Materials purchased	5,781,298.70	7,249,093.51
China Shipbuilding Industry Corporation 711 Research Institute	Materials purchased	58,382,182.98	6,910,000.00
TTS Hua Hai International Trading Co., Ltd.	Materials purchased		6,834,888.00
Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Materials purchased	23,293,750.21	5,883,991.79
CSSC Chengxi Xinrong Shipbuilding Co., Ltd. (中船澄西新榮船舶有限公司)	Technical services		5,464,097.35
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Marine accessories	760,318.76	5,442,387.59
China Shipbuilding Industry Corporation 725 Research Institute	Materials purchased	4,898,941.99	5,252,043.01
Guangzhou Shipyard Hospital	Purchase of goods and receipt of services	1,811,535.38	5,016,726.38
Jiangxi Chaoyang Machinery Co., Ltd.	Materials purchased	2,317,114.06	4,920,241.75
Guangzhou Ship Industrial Co., Ltd.	Materials purchased	12,207,675.74	4,681,362.38
Beijing CSSC Consulting Co., Ltd.	Materials purchased		4,301,724.19
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	2,160,273.43	4,021,813.44
Jiujiang CSSC Fire Automation Co., Ltd.	Marine accessories		3,357,037.17
China Shipbuilding Industry Corporation 710 Research Institute	Materials purchased	31,912,702.50	3,140,000.00
China Shipbuilding Industry Corporation 722 Research Institute	Materials purchased	2,700,000.00	2,902,000.00
CSIC Zhongnan Equipment Co., Ltd.	Materials purchased	5,258,000.00	2,700,000.00
China Shipbuilding International Trading Co., Ltd.	Technical services		1,377,832.75
CSIC (Shanghai) Energy Saving Technology Development Co., Ltd. (中船重工(上海)節能技術發展有限公司)	Materials purchased		2,498,663.79
Beijing Lei Yin Electronic Technology Development Co., Ltd.	Marine accessories	595,600.00	2,382,400.00
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Marine accessories	10,486.73	2,216,322.29
CSSC Hua Hai Ships Equipment Co., Ltd.	Materials purchased	5,769,772.13	2,040,684.25
Haifeng Navigation Technology Co., Ltd.	Materials purchased	1,706,896.46	1,953,880.45

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Related party	Content of transaction	Amount for the year	Amount for last year
China Shipbuilding Industry Corporation 718 Research Institute	Materials purchased	892,680.00	1,949,290.00
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Labour and technical services		2,337,588.99
Shaanxi Diesel Engine Co., Ltd.	Materials purchased	93,340,430.90	1,677,198.00
CSSC Chengxi Shipbuilding Co., Ltd.	Technical services		67,816.51
Technician Training School of Guangzhou Huangpu Shipyard	Labour and technical services	1,026,291.66	1,622,404.93
Dalian Marine Propeller Co., Ltd.	Materials purchased	1,381,000.00	1,454,000.00
CSSC (Hong Kong) Shipping Company Limited	Labour and technical services		9,042.04
China Shipbuilding IT Co., Ltd.	Labour and technical services	3,351,647.40	1,201,538.99
CSSC Marine Services Co., Ltd.	Materials purchased	482,439.60	1,133,548.83
CSSC Dalian New Consumables Co., Ltd. (大連中船新材料有限公司)	Materials purchased	577,741.59	716,779.28
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Materials purchased		716,288.75
CSSC Science & Technology Co., Ltd.	Materials purchased		703,332.39
CSIC Environmental Engineering Co., Ltd.	Technical services		698,926.77
Dalian Shipbuilding Industry Marine Engineering Company Limited (大連船舶 工業海洋工程有限公司)	Technical services		680,787.00
China State Shipbuilding Corporation Limited	Materials purchased		676,071.55
Workers' Hospital of Guangzhou Huangpu Shipyard	Labour and technical services	4,726,428.92	664,806.80
Dalian Shipbuilding Engineering Technology Research Centre Co., Ltd. (大連船舶工程技術研究中心有限公司)	Technical services	1,235,795.26	587,025.45
Shanghai Dongxin Software Engineering Co., Ltd.	Technical services	707,547.15	584,284.43
China Shipbuilding Technology Institute	Labour and technical services	2,249,565.39	574,945.06
Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Labour services	89,029.12	478,230.88
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Materials		413,793.80
China Ship Power Station Equipment Co., Ltd.	Marine accessories and equipment	4,055,500.00	409,000.00
Henan Diesel Engine Heavy Engineering Co., Ltd.	Materials purchased	3,938,323.27	393,372.60
Wuhan Temo Welding Consumables Co., Ltd.	Materials purchased	5,709,700.00	384,903.90
CSIC Tianhe Ship Equipment Jiangsu Co., Ltd. (中船重工天禾船舶設備江蘇有 限公司)	Materials purchased		360,000.00
Beijing Ship Industry Management College	Labour and technical services	243,488.95	741,991.53
CSSC Electronic Technology Co., Ltd.	Materials purchased	320,000.00	322,564.10
CSIC Haisheng Technology Co., Ltd. (中 船重工海聲科技有限公司)	Materials purchased	940,000.00	300,000.00
Beijing Ruichifeisi Agency Co., Ltd. (北京 瑞馳菲思招標代理有限公司)	Technical services		250,104.83
Beijing Rui Chi Fei Si Engineering Consulting Co., Ltd. (Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.)	Materials purchased	248,146.60	
Beijing the Great Wall Electronic Equipment Co., Ltd.	Materials purchased	26,214,400.00	
Chongqing Zhongchi Transportation Co., Ltd. (重慶重齒運輸有限公司)	Materials purchased		240,000.00
Dalian Shipbuilding Industry Engineering Company Limited (大連船舶工業工程有 限公司)	Technical services	108,650,351.10	202,288.49
Chongqing Huayu Electrical Group Limited (重慶華渝電氣集團有限公司)	Materials purchased		200,000.00
Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Materials purchased	659,833.63	183,520.00

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Related party	Content of transaction	Amount for the year	Amount for last year
Shanghai CSSC Materials Engineering Co., Ltd.	Materials purchased		172,433.65
Wah-Chang International Marine Industry Company Limited	Materials purchased	514,927.15	158,906.57
Wuhan Huazhongtianqin Defense Technology Co., Ltd. (武漢華中天勤防務技術有限公司)	Materials purchased		150,000.00
Yichang Marine Diesel Engine Co., Ltd. (宜昌船舶柴油機有限公司)	Materials purchased	231,987.04	136,249.86
Shanghai Simifu Industrial Co., Ltd.	Materials purchased		97,345.13
Zibo Torch Energy Co., Ltd. (淄博火炬能源有限公司)	Materials purchased	249,145.00	95,103.45
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Receipt of services		4,053,773.58
Technician Training School of Guangzhou Shipyard	Materials purchased		164,462.52
Shanghai Hudong Shipyard Valve Co., Ltd.	Materials purchased	286,336.09	34,311.44
Anqing Marine Electric Co., Ltd.	Materials purchased		22,717.95
Chongqing Gearbox Co., Ltd.	Materials purchased		21,070.00
Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Materials purchased	7,947.79	18,749.37
CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories		17,433.63
China Ship News Agency	Technical services	1,820.18	256,120.73
Shanghai Jiangnan Career Skills Training Center	Technical services	41,145.82	15,330.19
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. (滬東中華造船(集團)有限公司)	Technical services		15,000.00
Dalian Ship Valve Company Limited (大連船用閥門有限公司)	Materials purchased	9,588.50	7,598.23
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Labour services		4,380.85
CSSC Marine Technology Co., Ltd.	Marine accessories	132,000.00	3,283.76
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Repair fees	1,772,168.96	2,000.00
Shanghai Shenbo Information System Engineering Co., Ltd.	Materials purchased		-82,867.01
Kindergarten of Guangzhou Huangpu Shipyard	Labour services	1,639,000.00	
Guangzhou Shipyard International Company Limited	Marine accessories and labour and technical services	50,554,476.72	
Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Marine accessories and labour and technical services	178,018.86	
Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	Marine accessories and labour and technical services	6,048,747.83	
Guangzhou Longxue Pipe Co., Ltd.	Materials purchased	16,749,148.72	
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Labour and technical services	984,714.66	
Guangzhou Shipyard HR Service Co., Ltd.	Labour services	5,678,279.67	
Guangzhou Hongfan Technology Co., Ltd.	Technical services	638,012.87	
Guangzhou Hongfan Hotel Co., Ltd.	Labour services	54,897.87	
Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.	Materials purchased	684,000.00	
Xiamen Sunrui Ship Coatings Co., Ltd.	Materials purchased	278,548.67	
Shanxi Fenxi Heavy Industry Co., Ltd.	Materials purchased	94,000.00	
Shanghai Hengto Shipping Equipment Co., Ltd.	Materials purchased	16,370.00	
Wuhan Haiyi Science and Technology Limited Company	Materials purchased	6,688,426.92	
Wuhan Ligan Technology Co., Ltd.	Materials purchased	1,084,070.80	
CSSC Marine Power Components Co., Ltd. (中船海洋動力部件有限公司)	Materials purchased	1,302,654.86	
CSSC Jiujiang Boiler Co., Ltd.	Materials purchased	3,886,831.84	
CSIC material trade group Guangzhou Co., Ltd.	Materials purchased	26,660,438.44	

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Related party	Content of transaction	Amount for the year	Amount for last year
CSIC material trade group Wuhan Co., Ltd.	Materials purchased	1,929,898.78	
CSIC Chongqing Changping Machinery Co., Ltd. (中船重工重慶長平機械有限責任公司)	Materials purchased	1,235,221.24	
CSIC Diesel Engine Co., Ltd.	Materials purchased	30,203,539.82	
China Shipbuilding Industry Corporation 723 Research Institute	Materials purchased	21,074,000.00	
China Shipbuilding Industry Corporation 724 Research Institute	Materials purchased	78,455,000.00	
China Shipbuilding Industry Corporation 702 Research Institute	Materials purchased	734,513.32	
China Shipbuilding Industry Corporation 703 Research Institute	Materials purchased	647,029.00	
China Shipbuilding Industry Corporation 705 Research Institute	Materials purchased	16,740,000.00	
China Shipbuilding Industry Corporation 707 Research Institute	Materials purchased	33,964,200.00	
China Shipbuilding Industry Corporation 709 Research Institute	Materials purchased	44,696,070.00	
China Shipbuilding Industry Corporation 7 Research Institute	Materials purchased	7,028,561.32	
China Shipbuilding Industry Corporation 714 Research Institute	Materials purchased	314,368.99	
CSSC Haizhuang Windpower Co., Ltd. (中國船舶重工集團海裝風電股份有限公司)	Marine accessories	31,509.43	
Zhongshan GSI Marine Engineering	Materials purchased	3,973.45	
Chongqing Hengshan Machinery Co., Ltd.	Materials purchased	26,052.70	
Chongqing Hongjiang Machinery Co., Ltd.	Materials purchased	61,223.40	
Guangzhou Zhongdan Ship Design Co., Ltd.	Labour and technical services	5,482,080.00	
Wuhan Kawasaki Marine Machinery Co., Ltd.	Marine accessories and marine equipments	21,419.48	
Wartsila CME Zhenjiang Propeller Co., Ltd.	Marine accessories and marine equipments	2,138,388.77	
Beijing Bluewave Jinzhao Science and Technology Co., Ltd. (北京藍波今朝科技有限公司)	Materials purchased	29,203.54	
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Materials purchased	304,580.66	
CSIS (Shenyang) Microbe Free Technologies Corporation	Materials purchased	4,000.00	
CSIC material trade group (Mengla) Co., Ltd.	Materials purchased	9,487.50	
Total		5,690,497,063.87	5,938,916,795.05

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Specific pricing method of Purchase of goods and receipt of services:

- 1 Provision of mechanical and electrical equipment and material supplies, etc. at market prices, not higher than those provided by independent third parties;
- 2 Provision of marine accessories, iron outfitting parts, etc. Due to low unit price, sporadic and complicated, and often urgent needs and short lead time, so the unit price is agreed once a year through costing, and the material department of the Group will negotiate the order price with the supplier accordingly. If the price of raw materials in the market changes significantly, the Group will make appropriate adjustments according to the changes in the market;
- 3 Provision of marine equipment. If there is a member unit of CSSC Group in the manufacturer lists, the member unit will participate in the competition among two or more manufacturers in the manufacturer list, and the material department of the Group will negotiate the price as usual, and the Group will determine the price according to the market condition, but it will also consider the supply cycle, manufacturer qualification and service level and other factors to select the manufacturer, but the price will not be less favorable than those of the independent third party supplier. If individual equipment may be supplied by only one affiliated manufacturer due to the limitation of technical specifications or delivery conditions, the Group will negotiate the price with the supplier according to the recent contract price of the equipment or the unit price converted according to a certain technical data, combined with the market price of raw materials and other factors, but the price will not be less favorable than the terms and conditions provided by the independent third party supplier;
- 4 Participate in the materials and related logistics and distribution services centrally procured by CSSC Group, the price of which will not be less favorable than the terms and conditions provided by the independent third party supplier;
- 5 The price of receiving leasing is based on market price or cost plus 10% management fee, and the annual cap is based on the total value of the right-to-use assets recognized by CSSC and the total annual depreciation and interest costs calculated on the basis of the taxes payable for leasing production bases and staff quarters; Labour services will be priced at market price; the price of comprehensive services will not be less favorable than the terms and conditions provided by independent third parties. The pricing of technical services shall be based on the market price.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Sale of goods/provision of services

Related party	Content of transaction	Amount for the year	Amount for last year
CSSC (Hong Kong) Shipping Company Limited	Shipbuilding	1,137,353,506.62	972,536,012.44
China Shipbuilding Trading Co., Ltd.	Shipbuilding		149,117,879.97
China State Shipbuilding Corporation Limited	Shipbuilding		83,659,352.82
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	81,765,221.64	107,747,470.47
China Shipbuilding Trading Shanghai Co., Ltd.	Shipbuilding		83,525,116.97
China Shipbuilding Industry Complete Logistics Co., Ltd.	Sale of materials		20,992,881.08
CSSC Liner Technology Development Co., Ltd.	Labour services		19,493,486.06
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	Shipbuilding	2,739,655.16	5,479,310.32
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Labour and technical services	242,991.86	2,705,126.54
China Shipbuilding Industry Corporation 725 Research Institute	Sale of materials	525,586.61	2,052,574.69
CSSC Systems Engineering Research Institute	Labour and technical services	23,584.91	1,642,322.71
Guangzhou Shipyard Co., Ltd.	Supply of power, labour and technical services	159,662.77	1,371,504.02
Shanghai CSSC Lingang ship Equipment Co., Ltd.	Materials		1,149,385.36
Wuchang Shipbuilding Industry Group Co., Ltd.	Sale of materials	721,885.84	874,336.28
China Shipbuilding Technology Institute	Labour and technical services		756,825.01
CSSC Xijiang Shipbuilding Co., Ltd.	Supply of utilities		474,618.47
Guangzhou GSI Nursing Home Co., Ltd.	Sale of materials		375,832.93
Technician Training School of Guangzhou Huangpu Shipyard	Supply of utilities	108,110.62	374,954.89
China Shipbuilding IT Co., Ltd.	Sale of materials	1,628,318.58	374,050.76
CSSC Heavy Equipment Co., Ltd.	Labour and technical services	158,848.47	2,706,283.10
Workers' Hospital of Guangzhou Huangpu Shipyard	Supply of utilities	271,487.56	335,249.88
CSSC Guijiang Shipbuilding Co., Ltd.	Sale of materials, provision of technical labour services	3,915.09	329,865.84
Guangzhou Ship Industrial Co., Ltd.	Sale of materials		292,806.28
CSSC Marine Technology Co., Ltd.	Labour services		208,075.47
CSSC Southern China Ship Machinery Co., Ltd.	Labour and technical services		200,272.33
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Labour services	8,982,208.80	188,462.24
Dalian Shipbuilding Engineering Technology Research Centre Co., Ltd. (大連船舶工程技術研究中心有限公司)	Labour services	33,750.86	171,079.58
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Supply of utilities	5,660.38	153,621.22

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Related party	Content of transaction	Amount for the year	Amount for last year
Kindergarten of Guangzhou Huangpu Shipyard	Supply of utilities	56,231.49	84,184.47
CSSC Shanghai Ship Industrial Co., Ltd.	Labour services		70,796.46
CSSC Financial Leasing (Shanghai) Co., Ltd.	Labour services		63,716.81
Design and Research Institute of China Shipbuilding and Marine Engineering	Labour services		58,508.09
Haiying Enterprises Group Co., Ltd.	Labour services		53,584.90
CSSC Finance Company Limited	Labour and technical services		46,698.11
Anqing CSSC Diesel Engine Co., Ltd.	Labour services		46,398.40
Jiangnan Shipbuilding (Group) Co., Ltd.	Labour services		42,035.40
Eastern Shanghai Heavy Machinery Co., Ltd.	Labour services		19,245.29
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Labour services		35,953.10
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Labour services		34,287.74
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Labour services		24,778.76
Marine Design and Research Institute of China	Labour services		20,883.96
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	Labour services		15,181.13
Jiangnan Shipbuilding (Group) Co., Ltd.	Labour and technical services		15,094.34
Eastern Shanghai Heavy Machinery Co., Ltd.	Labour services	309,433.96	14,150.94
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Labour services		12,264.15
CSSC Chengxi Shipbuilding Co., Ltd.	Labour services		11,320.75
Guangzhou Shipyard Hospital	Labour		10,188.68
CSSC Chengxi Xinrong Shipbuilding Co., Ltd. (中船澄西新榮船舶有限公司)	Labour services		9,245.28
Technician Training School of Guangzhou Shipyard	Supply of utilities		8,472.09
CSSC Marine Power Co. Ltd.	Labour services	31,681.42	6,603.77
Shanghai Shipyard Company Limited (上海船廠船舶有限公司)	Labour services		6,566.04
Yinghui South Ship building (Guangzhou Fanyu) Co., Ltd.	Labour services		2,720.00
CSSC Science & Technology Co., Ltd.	Labour and technical services	618,860.50	2,585.33
CSSC Marine Power Components Co., Ltd. (中船海洋動力部件有限公司)	Labour services		2,415.10
Jiujiang Precision Testing Technology Research Institute	Labour services		1,886.79
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Labour services		1,886.79
Jiangxi Chaoyang Machinery Co., Ltd.	Labour services	40,613.67	466.00

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Related party	Content of transaction	Amount for the year	Amount for last year
CSSC Nanjing Luzhou Machine Co., Ltd.	Labour services		-469.00
Dalian Shipbuilding Industry Engineering Company	Sale of materials	225,663.72	
Guangzhou Shipyard International Company Limited	Sale of materials, labour and technical services	813,831.60	
CSSC Guangxi Beibu Gulf Shipbuilding and Marine Engineering Design Co., Ltd. (CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.)	Sale of materials	8,725,641.08	
Guangzhou Diesel Engine Plant Co., Ltd. Zhongshan Branch (廣州柴油機廠股份有限公司中山市分公司)	Labour services	1,569.35	
Guangzhou Wencheng Shipbuilding Co., Ltd.	Sale of materials	4,198.12	
		40,115.04	
China Shipbuilding NDRI Engineering Co., Ltd.	Sale of materials and labour services	5,717,166.97	
CSSC Marine Power Institute Co., Ltd.	Sale of materials	754,716.98	
China Shipbuilding Trading Co., Ltd.	Sale of materials	10,063,546.13	
Zhongshan GSI Marine Engineering Company Limited	Sale of materials and labour services	45,862.73	
Total		1,262,173,528.53	1,460,010,407.40

The specific pricing methods for the sale of goods and provision of services are as follows:

- 1 Provision of shipping products, electrical and mechanical engineering equipment and metallic materials. The pricing will be based on market prices.
- 2 Supply of utilities. The pricing will be based on the cost of supply of utilities provided by CSSC group plus a 20-25% management fee or on terms no less favourable to the Group than terms available from independent third parties.
- 3 Leasing, labour supply, technical services, etc. The pricing will be based on terms no less favourable to the Group than terms available from independent third parties.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Receipt of financial services

(1) Deposits

Name of related party	Balance of deposits		Balance of deposits	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	6,179,869,944.74	7,594,327,867.71	67,060,909.04	71,560,339.25

Pricing principle: The interest rates on deposits with CSSC Finance are based on the benchmark deposit interest rates stipulated by the People's Bank of China with appropriate upward adjustments, and such rates should be no less favorable than the terms offered by independent third parties.

(2) Loans

Name of related party	Balance of loans		Interest expenses on loans	
	Ending balance	Beginning balance	Current year	Current year
CSSC Finance Company Limited	610,000,000.00	1,399,900,000.00	7,129,000.05	123,547,505.64

Pricing principle: Borrowings from CSSC Finance/CSSC are at rates no higher than the lending rates stipulated the People's Bank of China, which should be no less favorable than the terms offered by independent third-party lenders.

Note: The balance of loan provided by CSSC Finance Company Limited included, among others, entrusted loan provided to the Group by CSSC. The balance of entrusted loans from CSSC group to the Group at the end of the year was nil.

(3) Forward exchange settlement (purchase)

Name of related party	Forward exchange settlement (purchase) contract		Gain or loss on change in fair value of forward exchange settlement (purchase) contract		Investment income from forward exchange settlement (purchase)	
	Ending balance	Beginning balance	Current year (RMB)	Last year (RMB)	Current year (RMB)	Last year (RMB)
CSSC Finance Company Limited	US\$134 million	US\$ 408 million	73,696,274.08	-27,657,519.39	374,680.69	15,386,725.04
CSSC Finance Company Limited		EUR\$ 93 million				

Pricing principle: the handling fee for forward exchange settlement in CSSC Finance shall be based on the standard stipulated by the People's Bank of China; the fee standard should be no less favorable than the fee conditions from the independent third parties.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(4) *Entrusted wealth management products*

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	670,000,000.00		15,467,506.84	13,745,972.01

Pricing principle: To be determined at market rate, which shall be no less favorable than the fee conditions from the independent third parties.

3. Related leases

(1) *As lessor*

Name of lessor	Name of lessee	Type of leased assets	Rental fees recognised for the year	Rental fees recognised for last year
CSSC	Zhongshan GSI Marine Engineering Company Limited	Buildings and structures	8,728,000.00	
GSI	Yinghui South Marine Tower (Guangzhou Fanyu) Co., Ltd.	Ships	114,159.29	
GSI	Guangzhou Shipyard Co., Ltd	Buildings and structures	73,079.22	
GSI	CSSC Xijiang Shipbuilding Co., Ltd.	Land, buildings and structures	6,510.95	
GSI	Eastern Shanghai Heavy Machinery Co., Ltd.	Buildings and structures	2,590.08	
Total			8,924,339.54	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

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(2) As lessee

Name of lessor	Name of lessee	Type of leased assets	Rental fees recognised for the year	Rental fees recognised for last year
Guangzhou Wenchong Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	10,936,725.47	15,773,438.90
Guangzhou Ship Industrial Co., Ltd.	Wenchong Shipyard	Land, buildings and structures	1,239,881.65	1,239,881.65
Guangzhou Ship Industrial Co., Ltd.	Huangpu Wenchong	Land, buildings and structures	6,440,231.68	6,469,704.91
Guangzhou Ship Industrial Co., Ltd.	Huangpu Wenchong	Buildings and structures	2,049,216.40	
China National Shipbuilding Equipment & Materials (South China) Co., Ltd	The Company	Buildings and structures	956,799.98	
Guangzhou Shipyard Co., Ltd	GSI	Buildings and structures	19,396.62	1,137,053.55
Guangzhou Shipyard Co., Ltd	GSI Elevator	Land, buildings and structures	43,962.03	182,744.83
Guangzhou Shipyard Co., Ltd	United steel	Buildings and structures		
Guangzhou Shipyard Co., Ltd	Engineering Equipment Company	Land, buildings and structures		1,333,712.46
Total			21,686,213.83	26,136,536.30

Note: Guangzhou Ship Industrial Co., Ltd. entered into a lease agreement with Huangpu Wenchong and Wenchong Shipyard in relation to land use right, pursuant to which it leased certain land use right at Changzhou Factory owned by it to Huangpu Wenchong for operation. 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 of lease of the land use right shall commence on 1 May 2014 and end on the date on which Huangpu Wenchong finished relocation to Changzhou Factory and commence formal production in the new factory area.

Guangzhou Wenchong Industrial Co., Ltd. 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 part of the land at the Wenchong Plant to 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 November 2018 and will end on the date on which the relocation of Wenchong Shipyard is completed and commenced formal production at its new plant.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

4. Related guarantees

(1) Guarantees provided by related parties for the Group

Name of guarantor	Name of guarantor	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	US\$500,000.00	2020/9/23	2022/5/25	No
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	US\$500,000.00	2020/1/15	2021/9/30	No
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	US\$500,000.00	2020/4/27	2021/12/31	No
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	RMB1,279,600.00	2020/2/19	2020/11/25	Yes
China Shipbuilding International Trading Co., Ltd.	Wenchong Shipyard	RMB2,560,000.00	2020/4/8	2020/7/29	Yes
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$2,970,000.00	2018/4/2	2021/8/14	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$9,540,000.00	2017/12/12	2020/11/25	Yes
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$9,540,000.00	2017/12/12	2020/9/25	Yes
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$9,540,000.00	2017/12/12	2020/7/26	Yes
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$9,540,000.00	2017/12/12	2020/5/26	Yes
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$12,200,000.00	2019/10/14	2022/4/11	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$12,200,000.00	2019/10/14	2022/5/28	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$8,760,000.00	2020/10/21	2023/5/12	No
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$8,760,000.00	2020/10/21	2023/6/28	No
CSSC Group	Huangpu Wenchong	RMB1,120,880,000.00	2020/11/2	2027/6/30	No

Pricing principle: The guarantee services provided by CSSC group to the Group are charged in accordance with general market practice and at a rate not higher than CSSC's external guarantee rates, and the relevant terms are no less favourable than those offered by independent third-party guarantors.

(2) Guarantees provided by the Group for loans to related parties

As of the end of the year, there was no guarantee provided by the Group for any related party.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Guarantees provided within the scope of consolidation of the Group

Name of guarantor	Name of guarantee	Currency	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
Huangpu Wenchong	Huang chuan Ocean Engineering	RMB	7,758,080.00	2020/4/2	2023/3/31	No
Huangpu Wenchong	Wenchong Shipyard	RMB	400,000,000.00	2020/1/2	2020/6/6	Yes
Huangpu Wenchong	Wenchong Shipyard	RMB	500,000,000.00	2019/9/1	2020/8/17	Yes
Huangpu Wenchong	Wenchong Shipyard	RMB	350,000,000.00	2020/3/23	2021/6/21	No
Huangpu Wenchong	Wenchong Shipyard	RMB	400,000,000.00	2020/9/23	2021/6/18	No
Huangpu Wenchong	Wenchong Shipyard	RMB	300,000,000.00	2020/10/21	2021/10/20	No
Huangpu Wenchong	Wenchong Shipyard	USD	378,425.00	2020/10/30	2021/3/21	No
Huangpu Wenchong	Wenchong Shipyard	RMB	135,000,000.00	2020/11/11	2021/11/21	No
Huangpu Wenchong	Wenchong Shipyard	RMB	135,000,000.00	2020/11/11	2022/1/21	No
Huangpu Wenchong	Wenchuan Industrial	RMB	20,000,000.00	2019/6/21	2020/6/20	Yes
Huangpu Wenchong	Wenchuan Industrial	RMB	100,000,000.00	2020/1/8	2020/4/3	Yes
Huangpu Wenchong	Wenchuan Industrial	RMB	11,659,267.50	2020/5/12	2020/8/30	Yes
Huangpu Wenchong	Wenchuan Industrial	RMB	23,318,535.00	2020/5/12	2021/7/30	No
Huangpu Wenchong	Wenchuan Industrial	RMB	2,593,890.00	2020/5/19	2020/8/30	Yes
Huangpu Wenchong	Wenchuan Industrial	RMB	3,285,046.00	2020/5/19	2020/12/31	Yes
Huangpu Wenchong	Wenchuan Industrial	RMB	9,366,234.00	2020/5/19	2021/8/30	No
Huangpu Wenchong	Wenchuan Industrial	RMB	6,810,000.00	2020/7/1	2021/6/30	No
Huangpu Wenchong	Wenchuan Industrial	RMB	14,113,970.00	2020/7/1	2021/6/30	No
Huangpu Wenchong	Wenchuan Industrial	RMB	300,000,000.00	2020/7/10	2021/6/12	No
Huangpu Wenchong	Wenchuan Industrial	RMB	30,000,000.00	2020/8/1	2021/7/31	No
The Company	GSI	RMB	200,000,000.00	2020/1/2	2020/3/31	Yes
The Company	GSI	RMB	300,000,000.00	2019/8/23	2020/3/31	Yes
The Company	GSI	RMB	300,000,000.00	2019/9/20	2020/3/31	Yes
The Company	GSI	RMB	330,000,000.00	2019/10/29	2020/3/31	Yes
The Company	GSI	RMB	70,000,000.00	2019/12/4	2020/3/31	Yes
The Company	GSI	RMB	100,000,000.00	2019/12/13	2020/3/31	Yes
The Company	GSI	RMB	100,000,000.00	2019/12/13	2020/3/31	Yes
The Company	GSI	RMB	100,000,000.00	2019/12/13	2020/3/31	Yes

5. Transfer of equity interest of related parties

(1) Transfer of equity interests in GSI

In February 2020, the Company transferred 27.4214% equity interests in GSI to CSSC Holding at RMB 2,857,883,200.00 by the way of issuance of equivalent shares. An investment income of RMB3,389,643,311.70 was derived from the transaction. For details, please refer to note 6(2).

(2) Transfer of equity interests in Chengxi Yangzhou

In August 2020, the Company transferred its 49% equity interests in Chengxi Yangzhou to CSSC Holdings and CSSC Chengxi at the total transaction amount of RMB 963,831,800.00. Of which, 24% and 25% equity interests in Chengxi Yangzhou was transferred to CSSC Holdings and CSSC Chengxi, respectively. An investment income of RMB 322,184,652.46 was derived from the transaction.

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

6. Other related party transactions

Type of transaction	Name of related party	Current year	Last year
Procurement agency fees	China United Shipbuilding Company Limited	41,350.38	5,945,815.08
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited	2,927,254.40	6,561,539.50
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	11,960,859.90	20,276,185.61
Sales agency fees	China Shipbuilding Trading Co., Ltd.	2,292,344.65	6,858,541.39
Sales agency fees	China Shipbuilding Trading Shanghai Co., Ltd.	139,776.00	
Letters of guarantee	China Shipbuilding Trading Co., Ltd.	1,206,784.07	1,339,204.62
Guarantee fees	CSSC Group		1,067,531.43
Financial institution handling fees	CSSC Finance Company Limited	2,225,576.29	4,082,634.38
Total		20,793,945.69	46,131,452.01

Pricing principle: The sales agency fee or commission will generally not exceed 1.5% of the contract amount according to international practice and will be paid in proportion to the progress payment per ship. In addition, the intermediary agent fee from overseas collected by CSSC group on behalf of intermediaries will be paid by CSSC group on behalf of relevant parties to the intermediaries. The procurement agency fees shall range from 1% to 2% of the contract price according to international practice, which was paid by the Group to CSSC group.

The guarantee letter fees were determined with reference to the rates charged by the banks issuing guarantee letters. Other financial and bank credit service charges shall be based on the charges stipulated by the People's Bank of China; the financial handling fee standard for bank facility to CSSC Finance shall be no less favourable than the facility terms and conditions provided by independent third party.

7. Related party transactions and connected transactions

The related party transactions mentioned in 1 to 6 above constitute connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules in Hong Kong, and are disclosed in details in the Related Party Transaction section in the Director's Report as required.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(iii) Related party transactions between the Company and its subsidiaries

1. Purchase of goods and services received

Related party	Content of related party transactions	Amount for the year	Amount for last year
Hongfan Technology	Purchase of goods and receipt of services		167,047.08
Equipment Company	Purchase of goods and receipt of services		
Zhongshan GSI	Purchase of goods and receipt of services	932,659.08	
GSI	Purchase of goods and receipt of services	111,201,250.62	2,364,915.00
Longxue Pipe	Processing services		171,843.95
Hongfan Hotel	Purchase of goods and receipt of services	8,347.00	44,938.85
Guangli Company	Receipt of services	940,062.78	23,671.75
Equipment Company	Purchase of goods and receipt of services		1,614,948.00
Zhongshan GSI	Purchase of goods and receipt of services		778,097.28
Zhongshan GSI	Purchase of properties		157,433,262.96
Huangpu Wenchong	Purchase of properties		235,827,271.70
CSSC Internet	Purchase of goods and receipt of services	34,825.47	
GSI Elevator	Receipt of services	39,823.01	
Total		113,156,967.96	398,425,996.57

Note: Pricing policy for purchasing goods or services from subsidiaries: according to market price if there is market price; if not, adding 8%-10% of the cost or using internal assessment settlement price for pricing

2. Sale of goods and provision of services

Related party	Content of related party transactions	Amount for the year	Amount for last year
United Steel	Sale of goods and provision of services		
Zhongshan GSI	Sale of goods and provision of services	495,876.11	13,089,430.90
GSI	Sale of goods and provision of services	4,751,953.40	49,691,453.35
Equipment	Sale of goods and provision of services		17,290,406.12
GSI Elevator	Sale of goods and provision of services	70,255,251.15	1,821,113.59
Huangpu Wenchong	Lease of properties	14,724,000.00	
Zhongshan GSI	Lease of properties	1,745,600.00	
Total		91,972,680.66	81,892,403.96

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(iv) Balances with related parties

1. Consolidated balances with related parties

(1) Receivables from related parties

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Notes receivable				
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.			12,043,839.11	
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.			7,667,046.17	
CSSC Science & Technology Co., Ltd.			3,894,000.00	
Sub-total of notes receivable			23,604,885.28	
Interest receivable:				
CSSC Finance Company Limited			1,778,016.25	
Hebei south city of Mineral Development Co., Ltd.			681,940.31	
Nanfang Environment Co., Ltd.			27,777.78	
Sub-total of interest receivable			2,487,734.34	
Cash at bank and on hand-interest receivable:				
CSSC Finance Company Limited	31,409,369.10			
Cash at bank and on hand-sub-total of interest receivable	31,409,369.10			
Accounts receivable				
China Shipbuilding Trading Co., Ltd.	17,471,800.00		26,224,961.25	131,124.81
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	19,595,685.39		20,094,151.48	100,470.76
Guangzhou Zhongdan Ship Design Co., Ltd.			5,935,443.92	29,677.22
CSSC Heavy Equipment Co., Ltd.			4,065,293.22	20,326.47
China Shipbuilding Industry Complete Logistics Co., Ltd.			3,998,499.67	19,992.50

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	3,405,391.38		3,266,853.86	16,334.27
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	489,530.38		1,926,345.33	9,631.73
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.			1,025,235.20	5,126.18
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute			1,005,000.00	5,025.00
Ships and Ocean Engineering Design and Research Institute of Guangzhou			832,517.00	4,162.59
China Shipbuilding Trading (Guangzhou) Co., Ltd.			783,106.00	3,915.53
China Shipbuilding Technology Institute			494,460.00	2,472.30
CSSC Liner TechnologyDevelopment Co., Ltd.			440,135.11	2,200.68
Guangzhou Shipyard Co., Ltd.			290,671.55	1,453.36
Shanghai CSSC Lingang ship Equipment Co., Ltd.			255,000.00	1,275.00
CSSC Guijiang Shipbuilding Co., Ltd.	4,121.15		168,250.01	841.25
Guangzhou Ship Industrial Co., Ltd.			166,503.77	832.52
China Shipbuilding Trading Guangzhou Co., Ltd.			150,400.36	752.00
CSSC Science & Technology Co., Ltd.			141,500.00	707.50
China State Shipbuilding Corporation Limited			139,695.00	698.48
CSSC Systems Engineering Research Institute			138,657.73	693.29
China Shipbuilding IT Co., Ltd.	1,840,000.00		113,200.00	566.00
CSSC Marine Technology Co., Ltd.			104,640.00	523.20
Jiangnan Shipbuilding (Group) Co., Ltd.			47,500.00	237.50
CSSC (Hong Kong) Shipping Company Limited			25,000.00	125.00
Guangzhou GSI Nursing Home Co., Ltd.			17,680.54	88.40
China Shipbuilding NDRI Engineering Co., Ltd.	645,500.00		14,650.00	73.25

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.			11,234.16	56.17
CSSC Chengxi Xinrong Shipbuilding Company Limited			9,800.00	49.00
Wah-Chang International Marine Industry Company Limited			6,976.20	34.88
Kindergarten of Guangzhou Huangpu Shipyard			6,969.88	34.85
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.			1,065.00	5.33
Jiangxi Chaoyang Machinery Co., Ltd	14,139.26		526.58	2.63
Dalian Shipbuilding Industry Engineering Company	223,639.58			
Guangzhou Shipyard International Company Limited	8,718,559.69			
Guangzhou Wencheng Shipbuilding Co., Ltd.	45,330.00			
Wuchang Shipbuilding Industry Group Co., Ltd.	815,731.00			
Wuhan Changhai Power Propulsion and Chemical Power Co., Ltd.	26,731.00			
China Shipbuilding Industry Corporation 725 Research Institute	593,912.87			
Zhongshan GSI Marine Engineering Company Limited	51,824.88			
Sub-total of accounts receivable	53,941,896.58		71,901,922.82	359,509.65
Prepayments				
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	171,684,013.63		1,233,243,876.18	
China Shipbuilding Trading Shanghai Co., Ltd.	235,995,152.19		235,642,767.03	
Eastern Shanghai Heavy Machinery Co., Ltd.	39,420,000.00		132,648,886.12	
China Shipbuilding Industry Corporation 704 Research Institute			93,423,600.00	
China Shipbuilding Industry Corporation 712 Research Institute			90,915,000.00	

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.			41,419,963.66	
China United Shipbuilding Company Limited			41,090,848.84	
China Shipbuilding Trading Co., Ltd.	111,153,965.30		29,688,108.68	
Anqing CSSC Diesel Engine Co., Ltd.	11,070,500.00		28,409,800.00	
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.			26,490,000.00	
Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	1,096,767.00		13,735,434.00	
CSSC Marine Power Co. Ltd.			11,986,837.00	
TTS Bohai Machinery(Dalian) Co.,Ltd			11,752,146.60	
CSSC Systems Engineering Research Institute			8,560,000.00	
China Shipbuilding NDRI Engineering Co., Ltd.			8,077,874.18	
China Shipbuilding Industry Corporation 718 Research Institute			7,629,300.00	
Marine Design and Research Institute of China			7,584,000.00	
CSIC Materials Co., Ltd			6,104,651.66	
Shanghai Haixun Electrical Engineering Co., Ltd.			5,644,800.00	
CSSC Marine Power Institute Co., Ltd.	10,030,000.00		5,150,000.00	
TTS Hua Hai International Trading Co., Ltd.			4,130,388.60	
Jiujiang Haitian Equipment Manufacture Co., Ltd.			3,847,456.00	
China Shipbuilding Industry Corporation 11 Research Institute	10,264,700.01		3,150,000.00	
CSSC Jiujiang Boiler Co., Ltd.	1,264,000.00		2,630,172.00	
Marinequip China Company Limited	2,186,530.40		2,466,630.23	
Zhenjiang Modern Power Generation Equipment Co., Ltd.			561,100.00	
CSSC (Hong Kong) Shipping Company Limited			308,175.65	
Shanghai CSSC Lingang ship Equipment Co., Ltd.			279,000.00	
Shanghai Simifu Industrial Co., Ltd.			183,892.20	

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
China Shipbuilding Industry Complete Logistics Co., Ltd.			54,386.25	
Jiangxi CSSC Navigation Instrument Co., Ltd.	15,860.00		16,860.00	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.			6,350.00	
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. (滬東中華造船(集團)有限公司)			2,900.00	
Guangzhou Shipyard International Company Limited	603,475.71			
Shaanxi Diesel Engine Co., Ltd.	24,192,697.00			
Wuhan Haiyi Science and Technology Limited Company	3,071,016.80			
SSC Wartsila Engine (Shanghai) Co.Ltd.(中船瓦錫蘭發動機(上海)有限公司)	4,123.19			
CSIC material trade group Wuhan Co., Ltd.	119,226.52			
China Shipbuilding Trading (BVI) Co., Ltd.	632,920.80			
China Shipbuilding Industry Corporation 724 Research Institute	34,412,400.00			
CSIC Heng Yuan Technology Co., Ltd.	5,670.00			
Wartsila Qiyao Diesel Co., Ltd. (Shanghai)	1,581,000.00			
Sub-total of prepayments	658,804,018.55		2,056,835,204.88	
Other receivables				
Guangzhou Wenchong Industrial Co., Ltd.	43,343.31		689,517,083.63	3,447,585.42
China Shipbuilding Industry Corporation 704 Research Institute			3,986,663.00	19,933.32
China Shipbuilding Trading Co., Ltd.	1,088,621.08		1,094,064.19	5,470.32
China United Shipbuilding Company Limited			309,359.13	1,546.80
Guangzhou Ship Industrial Co., Ltd.			203,061.63	1,015.31
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.			188,746.75	943.73

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Guangzhou Zhongdan Ship Design Co., Ltd.			56,371.71	281.86
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.			45,676.00	228.38
Guangzhou Shipyard Co., Ltd.			33,087.66	165.44
CSSC (Hong Kong) Shipping Company Limited			30,851.36	154.26
China Shipbuilding Trading Guangzhou Co., Ltd.			8,140.50	40.70
CSSC Guijiang Shipbuilding Co., Ltd.	353.75		353.75	1.77
Beijing Ship Industry Management College	5,000.00			
Dalian Shipbuilding Industry Engineering Company Limited	2,549.27			
Guangzhou Shipyard International Company Limited	43,817.70			
CSSC Guangxi Beibu Gulf Shipbuilding and Marine Engineering Design Co., Ltd. (CSSC Guangxi North Bay Ship and Marine Engineering Design Co.,Ltd.)	1,441.32			
CSSC Nanjing Luzhou Machine Co., Ltd.	25,187,060.81			
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	248,748.00			
Sub-total of other receivables	26,620,935.24		695,473,459.31	3,477,367.31
Contract assets:				
CSSC (Hong Kong) Shipping Company Limited	400,011,648.38			
Sub-total of contract assets	400,011,648.38			
Long-term receivables:				
Guangzhou Shipyard Shipping Co.,Ltd.			1,134,000,000.00	5,670,000.00
Sub-total of long-term receivables			1,134,000,000.00	5,670,000.00

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Related party	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Beginning balance	Provision for bad debts
Other current assets:				
Guangzhou Shipyard International Company Limited	58,820,490.99			
Sub-total of other non-current assets	58,820,490.99			
Total	1,229,608,358.84		3,984,303,206.63	9,506,876.96

(2) Payables to related parties

Name of item	Related party	Ending balance	Beginning balance
Notes payable			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	692,619,467.81	950,924,204.89
	CSSC Systems Engineering Research Institute	273,185,000.00	272,387,000.00
	China Shipbuilding Industry Corporation 704 Research Institute	39,040,400.00	218,429,800.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	92,030,086.83	115,972,948.62
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	17,729,403.72	37,853,034.35
	CSSC Marine Power Co. Ltd.	5,671,983.00	24,085,587.00
	China Shipbuilding Industry Corporation 718 Research Institute		23,118,200.00
	Anqing CSSC Diesel Engine Co., Ltd.	39,973,264.60	21,570,432.30
	TTS Hua Hai Ships Equipment Co., Ltd.		15,000,000.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	24,925,000.00	10,132,899.96
	CSIC Materials Guangzhou Co., Ltd.	1,534,074.98	9,799,994.36
	Jiujiang Haitian Equipment Manufacture Co., Ltd.		6,860,895.99
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.		5,350,256.13
	China Shipbuilding Industry Corporation 707 Research Institute	2,880,000.00	4,320,000.00
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	2,571,538.25	3,642,788.00
	Shanghai Hengtuo Industrial Development Co., Ltd. (上海衡拓實業發展有限公司)		2,242,229.90
	CSSC Science & Technology Co., Ltd.		1,980,000.00
	Haifeng Navigation Technology Co., Ltd.		1,761,046.42
	CSSC Nanjing Luzhou Machine Co., Ltd.	5,058,328.52	1,754,707.00
	Yinghui South Ship building (Guangzhou Fanyu) Co., Ltd.		1,394,000.00
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	1,373,534.00	1,369,637.93
	CSSC Marine Power Institute Co., Ltd.		1,150,000.00
	China Shipbuilding NDRI Engineering Co., Ltd.		1,145,000.00
	Wuhan Marine Machinery Co., Ltd.	27,512,800.00	850,977.00
	China Shipbuilding International Trading Co., Ltd.		703,334.50
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	6,298,299.44	543,130.00

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Name of item	Related party	Ending balance	Beginning balance
	Zhenjiang Modern Power Generation Equipment Co., Ltd.		308,996.00
	CSSC Nanjing Luzhou Machine Co., Ltd.	917,700.00	
	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	13,100,500.00	
	CSSC Dalian New Consumables Co., Ltd.	561,470.00	
	Guangzhou Longxue Pipe Co., Ltd.	712,299.90	
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	635,500.00	
	Xiamen Sunrui Ship Coatings Co., Ltd.	200,080.00	
	Shaanxi Diesel Engine Co., Ltd.	31,441,500.00	
	Wuhan Haiyi Science and Technology Limited Company	7,083,000.00	
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	2,002,550.92	
	China Shipbuilding Trading Guangzhou Co., Ltd.	5,945,704.00	
	CSIC Haisheng Technology Co., Ltd.	800,000.00	
	CSIC material trade group Wuhan Co., Ltd.	485,364.84	
	China Shipbuilding Industry Corporation 11 Research Institute	8,000,000.00	
	CSIC Diesel Engine Co., Ltd.	30,867,000.00	
	China Shipbuilding Industry Corporation 724 Research Institute	142,115,000.00	
	China Shipbuilding Industry Corporation 709 Research Institute	35,960,000.00	
	China Shipbuilding Industry Corporation 705 Research Institute	4,544,000.00	
	China Shipbuilding Industry Corporation 712 Research Institute	1,843,000.00	
	China Shipbuilding Industry Corporation 716 Research Institute	6,312,000.00	
	China Shipbuilding Industry Corporation 717 Research Institute	69,130,000.00	
	China Shipbuilding Industry Corporation 715 Research Institute	232,900,000.00	
	China Shipbuilding Industry Corporation 711 Research Institute	6,351,159.00	
	Sub-total of notes payable	1,834,311,009.81	1,734,651,100.35
	Interest payable		
	China State Shipbuilding Corporation Limited		2,897,937.77
	CSSC Finance Company Limited		446,108.00
	Sub-total of interest payable		3,344,045.77
	Accounts payable		
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	137,972,906.42	948,706,497.32
	CSSC Systems Engineering Research Institute	482,228,246.99	497,947,000.69
	China Shipbuilding Industry Corporation 704 Research Institute	137,641,492.68	102,221,450.00
	China Shipbuilding NDRI Engineering Co., Ltd.	12,418,324.49	91,816,141.10

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Name of item	Related party	Ending balance	Beginning balance
	Guangzhou Wenchong Properties Co., Ltd.		91,142,837.04
	China Shipbuilding Industry Corporation 712 Research Institute	2,040,000.00	48,845,000.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	17,468,635.22	41,088,855.46
	CSSC Marine Power Co. Ltd.	16,493,189.60	36,429,656.20
	China Shipbuilding Trading Company, Limited		36,011,213.08
	China Shipbuilding Industry Corporation 718 Research Institute	3,820,600.00	34,902,000.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	1,492,981.33	34,790,000.00
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	14,572,137.93	32,746,149.52
	Guangzhou Ship Industrial Co., Ltd.	46,134,418.91	28,514,957.80
	China United Shipbuilding Company Limited	93,377,817.58	19,399,854.85
	CSSC Southern China Ship Machinery Co., Ltd.	11,583,056.58	19,163,353.22
	Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.		18,475,785.09
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	2,095,879.75	15,672,848.04
	Haiying Enterprises Group Co., Ltd.	24,633,500.00	15,192,500.00
	CSSC Nanjing Luzhou Machine Co., Ltd.	14,659,907.79	14,183,929.30
	Anqing CSSC Diesel Engine Co., Ltd.	9,966,082.19	11,905,130.76
	China Shipbuilding Trading Guangzhou Co., Ltd.	17,615,597.23	11,496,701.01
	China Shipbuilding Industry Corporation 719 Research Institute	12,840,000.00	11,203,500.00
	Wuhan Marine Machinery Co., Ltd.	34,689,691.56	10,765,500.00
	CSSC (Hong Kong) Shipping Company Limited		10,046,258.19
	China Shipbuilding Industry Corporation 707 Research Institute	53,180,465.00	8,290,130.00
	China Shipbuilding Industry Corporation 716 Research Institute	59,428,301.73	8,129,930.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	1,980,872.69	8,096,802.01
	Marine Design and Research Institute of China	12,549,345.24	7,353,364.10
	China Shipbuilding Industry Corporation 713 Research Institute	84,519,500.00	7,267,260.00
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	4,999,132.46	6,580,491.46
	China Shipbuilding Industry Corporation 722 Research Institute	1,331,065.00	6,349,500.00
	Shanghai Starry Ship Ocean Engineering Service Co., Ltd.	3,990,487.93	6,053,568.37
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	3,844,484.82	5,045,816.08
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.		4,944,405.28
	Guangzhou Shipyard Co., Ltd.	1,242,639.70	4,884,805.80
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	2,867,127.50	4,746,422.28
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	1,886,222.68	4,737,419.58
	China Shipbuilding Industry Corporation 723 Research Institute	36,536,000.00	4,600,000.00
	Chongqing Gearbox Co., Ltd	66,252,680.00	4,249,626.47
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	5,386,109.17	3,307,197.00
	CSIC (Shanghai) Energy Saving Technology Development Co., Ltd. (中船重工(上海)節能技術發展有限公司)		2,790,763.79

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Name of item	Related party	Ending balance	Beginning balance
	China Shipbuilding International Trading Co., Ltd.	2,686,175.00	2,766,332.00
	Zhenjiang Modern Power Generation Equipment Co., Ltd.	7,548,804.84	2,627,427.09
	CSSC Science & Technology Co., Ltd.		2,366,820.54
	Guangzhou Shipyard Hospital		2,335,591.87
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	38,880.00	2,226,694.79
	Shaanxi Diesel Engine Co., Ltd.		2,196,000.00
	China Ship Power Station Equipment Co., Ltd.	5,141,050.00	1,992,600.00
	Shanghai Hudong Shipyard Valve Co., Ltd.	2,129,183.79	1,964,939.88
	Marinequip China Company Limited	1,282,315.89	1,939,362.28
	China Shipbuilding Industry Complete Logistics Co., Ltd.	388,266.86	1,897,832.26
	China Shipbuilding IT Co., Ltd.	4,334,192.05	1,765,904.00
	Jiujiang CSSC Fire Automation Co., Ltd.		1,524,443.30
	Shanghai Merchant Vessel Design and Research Institute	7,480,000.00	1,335,000.00
	Guangzhou Zhongdan Ship Design Co., Ltd.		1,236,686.10
	CSSC Marine Technology Co., Ltd.	457,416.24	1,094,416.23
	CSSC Electronic Technology Co., Ltd.	714,629.18	1,054,629.18
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	440,587.28	1,025,421.50
	Technician Training School of Guangzhou Huangpu Shipyard		1,015,740.00
	CSIC Zhongnan Equipment Co., Ltd.	2,742,800.00	990,000.00
	Beijing Lei Yin Electronic Technology Development Co., Ltd.	270,000.00	925,600.00
	Jiangxi Chaoyang Machinery Factory	1,853,735.24	854,419.87
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	470,000.00	840,000.00
	China Shipbuilding Industry Corporation 711 Research Institute	56,857,757.79	739,280.00
	Dalian Shipbuilding Industry Marine Engineering Company Limited (大連船舶工業海洋工程有限公司)		680,787.00
	Qingdao Beihai shipbuilding Heavy Industry Co., Ltd.		316,000.00
	CSSC Liner Technology Development Co., Ltd.		633,864.08
	Guangzhou Shipyard HR Service Co., Ltd.		609,953.95
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	294,821.95	525,994.36
	Workers' Hospital of Guangzhou Huangpu Shipyard	687,522.00	465,940.29
	Henan Diesel Engine Heavy Engineering Co., Ltd.	1,269,330.50	463,500.00
	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd. (中船重工天禾船舶設備江蘇有限公司)	320,000.00	454,000.00
	China Shipbuilding Industry Corporation 726 Research Institute	38,040,000.00	448,000.00
	Shanghai Shipbuilding Technology Research Institute		435,000.00
	China Shipbuilding Industry Corporation 11 Research Institute		434,482.76
	Yinghui South Ship building (Guangzhou Fanyu) Co., Ltd.		355,920.92
	Wah-Chang International Marine Industry Company Limited		320,137.27
	Shanghai Shenbo Information System Engineering Co., Ltd.		306,150.94
	Shanghai Hengtuo Industrial Development Co., Ltd. (上海衡拓實業發展有限公司)	1,282.05	280,581.10
	Kindergarten of Guangzhou Huangpu Shipyard		280,000.00

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Name of item	Related party	Ending balance	Beginning balance
	China State Shipbuilding Corporation Limited		269,373.10
	CSSC Hua Hai Ships Equipment Co., Ltd.		264,000.00
	Chongqing Huayu Electrical Group Limited (重慶華渝電氣集團有限公司)	79,250.00	260,000.00
	Wuxi Haiying Jiake Marine Technology Co., Ltd.		239,900.00
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.		237,034.19
	Haifeng Navigation Technology Co., Ltd.	96,439.65	220,788.49
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	27,558.00	183,520.00
	Dalian Ship Valve Company Limited (大連船用閥門有限公司)	5,666,928.17	178,288.20
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	93,972.77	86,174.39
	China Shipbuilding Industry Corporation 701 Research Institute	12,145,486.15	83,500.00
	CSSC Finance Company Limited	83,000.00	83,000.00
	Jiujiang Precision Testing Technology Research Institute	82,613.70	82,613.70
	Shanghai CSSC Materials Engineering Co., Ltd.		77,940.00
	China Shipbuilding Trading (Guangzhou) Co., Ltd.		76,000.00
	Jiangyin Huaerxin Special Coating Co., Ltd.		73,920.00
	Suzhou Jianghai Communication Co., Ltd. (蘇州市江海通訊發展實業有限公司)	428,520.00	67,800.00
	Guangzhou Bohang Environment Monitoring Services Co., Ltd.		48,780.80
	International Paints of Shanghai Co. Ltd.		39,486.35
	Shanghai Dongxin Software Engineering Co., Ltd.	786,800.00	36,800.00
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	209,879.90	34,262.00
	Chongqing Yaojin Machinery Plant Co., Ltd. (重慶躍進機械廠有限公司)	1,578,000.00	27,800.00
	Wuhan Temo Welding Consumables Co., Ltd.		27,216.00
	China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	647,658.00	23,480.00
	Anqing Marine Electric Co., Ltd.	18,000.00	18,000.00
	Ships and Ocean Engineering Design and Research Institute of Guangzhou		15,000.00
	CSIC Haisheng Technology Co., Ltd. (中船重工海聲科技有限公司)	7,721,050.00	15,000.00
	CSIC Chongqing Changping Machinery Co., Ltd. (中船重工重慶長平機械有限責任公司)	333,340.00	13,380.00
	Beijing Ship Industry Management College		11,324.00
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	Jiangxi CSSC Navigation Instrument Co., Ltd.		9,550.00
	China State Shipbuilding Corporation		9,141.20
	China Ship Survey and Research Institute, Pudong Branch		8,325.50
	Jiangnan TTS (Nantong) Ships Equipment Manufacturing Co., Ltd.		4,860.00
	China Shipbuilding Industry Corporation 702 Research Institute		3,335.00
	TTS Hua Hai Ships Equipment Co., Ltd.		2,979.00
	Dalian Shipbuilding Industry Engineering Company	26,242,554.51	2,406.22
	Guangzhou Wenchong Industrial Co., Ltd.	100,721,341.65	

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Name of item	Related party	Ending balance	Beginning balance
	CSSC Marine Services Co., Ltd.	117,585.00	
	Beijing the Great Wall Electronic Equipment Co., Ltd.	10,959,000.00	
	CSSC Dalian Marine Propeller Co., Ltd.	395,721.71	
	Guangzhou Shipyard International Company Limited	29,464,356.79	
	Guangdong GSI Elevator Machinery Equipment Co., Ltd.	33,664.15	
	CSSC Guangxi Beibu Gulf Shipbuilding and Marine Engineering Design Co., Ltd. (CSSC Guangxi North Bay Ship and Marine Engineering Design Co.,Ltd.)	145,543.68	
	Guangzhou Guanchuan offshore and marine engineering equipment Co., Ltd.	2,189,281.27	
	Guangzhou Hongfan Technology Co., Ltd	1,064,468.97	
	Guangzhou Longxue Pipe Co., Ltd.	3,366,827.94	
	Guangzhou Wencheng Shipbuilding Co., Ltd.	2,031,933.96	
	Shanxi Fenxi Heavy Industry Co., Ltd	172,600.00	
	Shanghai Hengto Shipping Equipment Co., Ltd.	633,016.97	
	Shanghai Huajing Power Station Equipment Co., Ltd.	1,001,025.64	
	Shanghai Jiangnan Career Skills Training Center	2,700.00	
	Shanghai Ling Yao Ship Engineering Co., Ltd.	268,793.90	
	Shanghai Qiyao Heavy Industry Co.,Ltd.	11,608.46	
	Shanghai Waigaoqiao Shipbuilding & Marine Engineering Design Co.Ltd.	846,500.00	
	Wuchang Shipbuilding Industry Group Co., Ltd.	33,000.00	
	Wuhan Huazhiyang Technology Co.Ltd.(武漢華之洋科技有限公司)	2,280,000.00	
	Wuhan Huazhongtianqin Defense Technology Co., Ltd. (武漢華中天勤防務技術有限公司)	356,603.76	
	Wuhan Lingan Technology Co., Ltd.	16,520,813.77	
	Xi'an Hualei Machinery and Electronics Group Co., Ltd.	200,615.06	
	Yangzhou Haike Electronic Technology Co., Ltd.	192,500.00	
	Yichang Marine Diesel Engine Co., Ltd. (宜昌船舶柴油機有限公司)	928,782.43	
	Wartsila CME Zhenjiang Propeller Co., Ltd.	20,000.00	
	CSSC Marine Power Components Co., Ltd.(中船海洋動力部件有限公司)	147,200.00	
	CSSC Jiujiang Boiler Co., Ltd.	114,090.50	
	CSIC Electrical Machinery Science&Technology Co., Ltd.	510,000.00	
	CSIC material trade group Guangzhou Co., Ltd.	34,451.02	
	CSIC Materials Trading Group Co., Ltd.	91,000.00	
	China Shipbuilding Trading (BVI) Co., Ltd.	364,075.24	
	China Shipbuilding Technology Institute	360,000.00	
	CSIC Diesel Engine Co., Ltd.	26,940,539.82	
	China Shipbuilding Industry Corporation 709 Research Institute	71,058,250.00	
	China Shipbuilding Industry Corporation 703 Research Institute	3,262,750.00	
	China Shipbuilding Industry Corporation 705 Research Institute	18,992,000.00	
	China Shipbuilding Industry Corporation 007 Research Institute	5,417,950.00	
	China Shipbuilding Industry Corporation 717 Research Institute	10,432,000.00	

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Name of item	Related party	Ending balance	Beginning balance
	China Shipbuilding Industry Corporation 714Research Institute	5,730.00	
	China Shipbuilding Industry Corporation 715 Research Institute	468,974,250.00	
	China Shipbuilding Industry Corporation 12 Research Institute	17,150.00	
	China Shipbuilding Industry Corporation 710Research Institute	1,480,000.00	
	Zhongshan GSI Marine Engineering Company Limited	875,844.50	
	Chongqing Jiangjin Shipbuilding Industry Co., Ltd	120,000.00	
	Zibo Torch Energy Co., Ltd. (淄博火炬能源有限公司)	37,693.31	
	Sub-total of accounts payable	2,408,632,234.56	2,326,665,325.97

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Name of item	Related party	Ending balance	Beginning balance
Contract liabilities			
	CSSC (Hong Kong) Shipping Company Limited		81,909,996.12
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.		8,792,484.03
	China Shipbuilding Trading Co., Ltd.	160,050.30	4,085,529.80
	Marine Design and Research Institute of China	2,000,000.00	2,000,000.00
	China Shipbuilding Trading Shanghai Co., Ltd.	13,977,600.00	
	Wah-Chang International Marine Industry Company Limited		3,656,879.40
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.		1,103,343.94
	CSSC Systems Engineering Research Institute		445,283.00
	Guangzhou Shipyard Co., Ltd.		488,385.73
	CSSC Heavy Equipment Co., Ltd.		59,526.14
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.		10,000.00
	Guangzhou Shipyard International Company Limited	14,859,541.43	
	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	175,500.00	
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	130,628.32	
	Sub-total of contract liabilities	31,303,320.05	102,551,428.16
Advances from customers:			
	Zhongshan GSI Marine Engineering Company Limited	7,855,200.00	
	Sub-total of advances from customers	7,855,200.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Name of item	Related party	Ending balance	Beginning balance
Other payables			
	China Shipbuilding NDRI Engineering Co., Ltd.	2,751,134.15	10,860,990.83
	Guangzhou Shipyard Co., Ltd.		2,492,556.36
	Dalian Shipbuilding Industry Engineering Company	703,200.00	1,701,000.00
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	216,301.82	1,085,181.40
	China Shipbuilding IT Co., Ltd.		598,000.00
	CSSC Financial Leasing (Shanghai) Co., Ltd.		591,866.02
	Jiangxi Chaoyang Machinery Co., Ltd.	200,000.00	500,000.00
	China United Shipbuilding Company Limited		473,319.81
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.		300,000.00
	Guangzhou Shipyard HR Service Co., Ltd.		212,924.58
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	203,400.00	206,167.81
	China State Shipbuilding Corporation Limited		59,571.42
	Shanghai Shenbo Information System Engineering Co., Ltd.		50,000.00
	China Shipbuilding Trading Co., Ltd.		45,731.57
	Guangzhou Hongfan Technology Co., Ltd.	286,000.00	
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	4,000.00	
	CSSC Finance Company Limited	400,000.00	
	China Shipbuilding Industry Corporation 11 Research Institute	750,000.00	
	Sub-total of other payables	5,514,035.97	19,177,309.80
Interest on short-term borrowings:			
	CSSC Finance Company Limited	491,166.67	
	Sub-total of interest on short-term borrowings	491,166.67	
Interest on long-term borrowings due within one year:			
	CSSC Finance Company Limited	7,256.94	
	Sub-total of interest on long-term borrowings due within one year	7,256.94	
Lease liabilities due within one year:			
	Guangzhou Wenchong Industrial Co., Ltd.	13,488,140.21	
	Guangzhou Ship Industrial Co., Ltd.	6,292,983.81	
	Guangzhou Shipyard International Company Limited	1,658,333.87	
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd	1,009,781.05	
	Sub-total of lease liabilities due within one year	22,449,238.94	
Lease liabilities			
	Guangzhou Ship Industrial Co., Ltd.	40,255,329.08	52,778,711.87
	Guangzhou Wenchong Industrial Co., Ltd.	27,958,255.08	68,879,154.23
	Guangzhou Shipyard International Company Limited	28,109,757.39	
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd	86,381.44	
	Sub-total of lease liabilities	96,409,722.99	121,657,866.10
	Total	4,406,973,185.93	4,308,047,076.15

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Related party transactions between the Company and its subsidiaries

(1) Receivables from related parties

Name of item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Zhongshan GSI			4,512,688.97	
	GSI			21,811,943.74	
	Guangzhou United Steel Structures Limited				
	Sub-total of accounts receivable			26,324,632.71	
Prepayments					
	Equipment Company			700,000.00	
	GSI			2,831,781.00	
	Sub-total of prepayments			3,531,781.00	
Other receivables					
	GSI			7,683,353.50	
	Huangpu Wenchong			633,611.11	
	Wenchong Shipyard				
	Sub-total of other receivables			8,316,964.61	
Non-current assets due within one year					
	GSI			240,000,000.00	
	Huangpu Wenchong	835,538,777.80		30,000,000.00	
	Sub-total of non-current assets due within one year	835,538,777.80		270,000,000.00	
Other current assets					
	GSI			230,000,000.00	
	Huangpu Wenchong			40,000,000.00	
	Total of other non-current assets			270,000,000.00	
Other non-current assets:					
	GSI			185,000,000.00	
	Huangpu Wenchong			235,000,000.00	
	Total of other non-current assets			420,000,000.00	
Long-term receivables					
	Huangpu Wenchong			600,000,000.00	
	Sub-total of long-term receivables			600,000,000.00	
	Total	835,538,777.80		1,598,173,378.32	

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(2) *Payables to related parties*

Name of item	Related party	Ending balance	Beginning balance
Accounts payable			
	Huangpu Wenchong	128,518,926.14	128,518,926.14
	Zhongshan GSI		7,160,606.13
	Equipment Company		6,159,637.46
	GSI		4,700,772.72
	United Steel Company		1,785,147.22
	Guangli Company		13,944.30
	Longxue Pipe		
	Wenchuan Heavy Industrial	3,597,128.22	
	Sub-total of accounts payable	132,116,054.36	148,339,033.97
Other payables			
	GSI		65,687,789.94
	Guangli Company		3,854,654.24
	Zhongshan GSI		336,455.25
	Hongfan Hotel		8,159.88
	Sub-total of other payables		69,887,059.31
Advances from customers			
	GSI		34,524,400.00
	Zhongshan GSI		7,855,200.00
	Huangpu Wenchong		2,454,000.00
			865,486.73
	Sub-total of advances from customers		45,699,086.73
Contract liabilities:			
	Wenchuan Industrial	8,759,660.00	
	Sub-total of contract liabilities	8,759,660.00	
	Total	140,875,714.36	263,925,180.01

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(v) Remuneration of Directors, Supervisors and key management

1. Details of the remuneration of Directors and Supervisors are as follows

Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Amount for the year					
Executive Directors					
Han Guangde					
Chen Zhongqian		96,600.00	10,134.47	2,661.96	109,396.43
Chen Liping		746,482.00	63,189.79	2,661.96	812,333.75
Sheng Jigang (from 1 January to 8 December)		1,029,520.00	50,557.19	2,661.96	1,082,739.15
Xiang Huiming		979,947.00	65,802.70	2,661.96	1,048,411.66
Chen Ji		96,600.00	10,141.38	2,661.96	109,403.34
Non-executive Directors					
Gu Yuan (from 23 October to 31 December)					
Shi Jun (from 1 January to 23 October)					
Yu Shiyong	200,000.00				200,000.00
Lin Bin (from 23 October to 31 December)	37,500.00				37,500.00
Li Zhijian (from 23 October to 31 December)	37,500.00				37,500.00
Nie Wei (from 23 October to 31 December)	37,500.00				37,500.00
Wang Yichu (from 1 January to 23 October)	162,500.00				162,500.00
Min Weiguo (from 1 January to 23 October)	162,500.00				162,500.00
Liu Renhui (from 1 January to 23 October)	162,500.00				162,500.00
Sub-total of Directors	800,000.00	2,949,149.00	199,825.53	13,309.80	3,962,284.33

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Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Supervisors					
Chen Shuofan (from 23 October to 31 December)					
Jin Xuejian (from 23 October to 31 December)					
Chen Shu	95,625.00				95,625.00
Zhu Weibin (from 23 October to 31 December)	22,500.00				22,500.00
Fu Xiaosi (from 1 January to 23 October)	73,125.00				73,125.00
Zhang Qinghuan (from 23 October to 31 December)					0.00
Li Kai (from 23 October to 31 December)		83,315.39	13,642.18	8,493.12	105,450.69
Mai Rongzhi (from 1 January to 23 October)		77,940.00	10,126.88	2,661.96	90,728.84
Zhang Shan (from 1 January to 23 October)		381,127.71	54,183.52	2,661.96	437,973.19
Sub-total of Supervisors	191,250.00	542,383.10	77,952.58	13,817.04	825,402.72
Total	991,250.00	3,491,532.10	277,778.11	27,126.84	4,787,687.05

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(Continued)

Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Amount for last year					
Executive Directors					
Han Guangde		153,223.00			153,223.00
Chen Zhongqian		659,862.00	63,059.45	32,030.88	754,952.33
Chen Liping		893,662.78	63,855.42	32,030.88	989,549.08
Sheng Jigang		529,580.00	57,739.48	32,030.88	619,350.36
Xiang Huiming		618,423.20	61,940.34	32,030.88	712,394.42
Chen Ji		579,557.87	63,100.91	32,030.88	674,689.66
Non-executive Directors					
Shi Jun					
Wang Yichu	200,000.00				200,000.00
Min Weiguo	200,000.00				200,000.00
Liu Renhuai	200,000.00				200,000.00
Yu Shiyong	200,000.00				200,000.00
Sub-total of Directors	800,000.00	3,434,308.85	309,695.60	160,154.40	4,704,158.85
Supervisors					
Jin Xuejian (from 23 October to 31 December)					
Wu Guangjun (from 1 January to 19 July)					
Fu Xiaosi	90,000.00				90,000.00
Chen Shu (from 28 May to 31 December)	53,070.65				53,070.65
Zhu Zhengfu (from 1 January to 25 May)	35,951.09				35,951.09
Mai Rongzhi		448,831.69	63,013.91	32,030.88	543,876.48
Zhang Shan		389,726.67	61,699.35	32,030.88	483,456.90
Sub-total of Supervisors	179,021.74	838,558.36	124,713.26	64,061.76	1,206,355.12
Total	979,021.74	4,272,867.21	434,408.86	224,216.16	5,910,513.97

Note: There is no discretionary bonus distributed to Directors and Supervisors during the year and last year.

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2. Five highest paid individuals

Of the five highest paid individuals for the year, 2 are Directors, 3 are senior management of the subsidiaries (last year: 2 Directors, 3 are senior management of the Company and subsidiaries). The remuneration of Directors and Supervisors are set out in above "Remunerations of Directors and Supervisors". The remuneration paid to the other 3 individuals is as follows:

Item	Amount for the year	Amount for last year
Salaries, subsidies, allowances and bonuses	2,826,668.00	2,093,720.29
Social insurance and housing fund	197,380.30	187,487.82
Pension	7,985.88	96,092.64
Total	3,032,034.18	2,377,300.75

Band of remuneration:

Item	Number of persons for current year	Number of persons for last year
Less than HK\$1,000,000		4
HK\$1,000,001 to HK\$1,500,000	5	1
HK\$1,500,001 to HK\$2,000,000		
HK\$2,000,001 to HK\$2,500,000		

3. During the track record period, no Director had waived or agreed to waive any remuneration. During the year, no emoluments were paid by the Company to any of the Directors, supervisors or five highest-paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

4. Remuneration of key management

The remuneration of key management, including those paid or payable to Directors, Supervisors and senior management, is as follows:

Item	Amount for the year	Amount for last year
Salaries, subsidies, allowances and bonuses	5,837,852.10	6,529,710.24
Social insurance and housing fund	404,157.69	561,685.24
Pension	32,450.76	288,277.92
Total	6,274,460.55	7,379,673.40

(vi) Amount due from Directors/affiliates of Directors

1. Amount of the Company due from Directors/affiliates of Directors:

As of the end of the year, the Group had no amount due from Directors/affiliates of Directors.

2. Amount due from directors/affiliates of directors for which the Company has provided guarantee:

As of the end of the year, the Group had no amount due from Directors/affiliates of Directors for which the Company has provided guarantee.

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XI. SHARE-BASED PAYMENTS

As of the end of the year, the Group had no share-based payments.

XII. COMMITMENTS AND CONTINGENCIES

(1) Significant commitments

1. Pledge of assets

As at the end of the year, no other assets of the Group were pledged.

2. Undue guarantees and letter of credit

As at the end of the year, the Group's issued but undue letters of guarantee were:

Type of letters of guarantee	RMB	USD	GBP
Letters of performance guarantee	464,123,387.06		
Letters of advancement payment guarantee	8,382,600.00	35,920,000.00	
Letters of warranty guarantee	10,033,581.44		
Letters of customs duties guarantee	34,220,362.19		
Letter of other non-financing guarantee	565,056.00	378,425.00	201,000.00
Total	517,324,986.69	36,298,425.00	201,000.00

As at the end of the year, the Group's issued but undue letters of credit amounted to RMB184,000,000.00, US\$14,151,666.62 and EUR3,030,713.84.

3. Outstanding foreign exchange option transactions

The Group attaches great importance to the research of exchange risk management policies and strategies. To prevent exchange rate risks, the Group entered into forward exchange contracts (forward exchange settlement), foreign exchange swaps, foreign exchange options trading portfolio contracts and etc. As at the end of the year, the Group had a total of 77 outstanding forward settlement foreign exchange contracts with total amount of US\$384.30 million and latest settlement date of 24 March 2023; a total of 34 outstanding option portfolios with total amount of US\$846.00 million and latest settlement date of 24 November 2022.

4. Fulfilment of previous commitments

The settlement of forward contracts of letters of guarantee can be done by the Group according to agreement.

Except for the commitments mentioned above, there was other significant commitment within the Group at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

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(II) CONTINGENCIES

1. Pending litigations or arbitrations

As of the end of the period, the Group did not have discloseable pending litigations or arbitrations.

2. External guarantees

The Group's external guarantees as of the end of the period are detailed in Note X (2) 4 Related Guarantees.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

(I) Shareholding of controlling shareholder and changes

The Company received the "Letter on the situation regarding share reduction from CSSC Group on 19 February 2021. During the period from 25 August 2020 to 19 February 2021, CSSC Group accumulatively reduced part of the A shares of the Company through centralized price bidding. The shareholdings of controlling shareholder and its parties acting in concert before and after the share reduction are as follows:

Controlling shareholder	Shareholding amount		Percentage of shareholding (%)		Remarks
	19 February 2021	31 December 2020	19 February 2021	31 December 2020	
CSSC	481,337,700.00	485,687,700.00	34.05	34.36	
CSSC International	345,940,890.00	345,940,890.00	24.47	24.47	Parties acting
Total	827,278,590.00	831,628,590.00	58.52	58.83	

(II) Profit distribution

According to the resolutions on the fourth meeting of the tenth session of the Board dated 30 March 2021, the Company intends to distribute a cash dividend of RMB1.66 (including tax) for every 10 shares to all shareholders, and the total cash dividends to be distributed will be RMB234,642,058.75 (including tax), calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2020. The remaining undistributed profit will be carried forward for distribution in subsequent years. The Company will not convert capital reserve into share capital for 2020. This profit distribution proposal is subject to approval at the 2020 annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

XIV. OTHER SIGNIFICANT EVENTS

(I) Correction of previous errors and their effect

None.

(II) Discontinued operations

On 1 March 2020, the Company loss its control over GSI due to disposal of certain equity (refer to Note VI (2) for details), discontinued operations are listed as follows:

Item	Amount for the year	Amount for last year
I. Income from discontinued operations	729,298,017.81	9,181,200,387.02
Less: termination costs and operating expenses	922,411,277.25	9,096,804,087.35
II. Total profit from discontinued operations	-193,113,259.44	84,396,299.67
Less: income tax expenses from discontinued operations	89,723.67	54,663,544.14
III. Net profit from discontinued operations	-193,202,983.11	29,732,755.53
Including: net profit from discontinued operations attributable to the parent company	-195,874,354.97	25,832,401.47
Add: net proceeds from disposal businesses (after-tax)	3,389,643,311.70	
Including: total profit or loss of disposal		
Less: income tax expenses (or proceeds)		
IV. Total net profit from discontinued operations	3,196,440,328.59	29,732,755.53
Including: total net profits from discontinued operations attributable to owners of the parent company	3,193,768,956.73	25,832,401.47
V. Net amount of cash flow from discontinued operations	-761,262,135.07	2,620,227,843.90
Including: net cash flows from operating activities	555,713,864.41	1,088,429,462.96
Net cash flows from investing activities	-806,725,248.73	713,444,139.21
Net cash flows from financing activities	-524,777,917.76	810,354,999.65

In addition, the Group also adjusted relevant information such as net profit from continuing operations of the consolidated income statement 2019, details are as follows:

Item	After adjustment of 2019	Before adjustment of 2019	Adjustment amount
Net profit	928,546,285.12	928,546,285.12	0.00
Including: Net profit from continuing operations	898,813,529.59	928,546,285.12	-29,732,755.53
Net profit from discontinued operations	29,732,755.53	29,732,755.53	29,732,755.53

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Segment report

1. Basis for determination of segment report 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

2020

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance and modification business segment	Others segment	Inter-segment elimination	Total
Operating income	11,496,685,585.84	1,790,234,458.68	451,826,877.43	1,623,605,033.72	-3,753,891,228.97	11,608,460,726.70
Including: Revenue from external transactions	9,082,571,207.40	1,588,423,555.75	444,192,867.88	493,273,095.67		11,608,460,726.70
Revenue from intra-segment transactions	2,414,114,378.44	201,810,902.93	7,634,009.55	1,130,331,938.05	-3,753,891,228.97	0.00
Operating costs	12,364,126,875.85	1,136,428,841.75	133,422,232.32	978,284,427.69	-3,757,476,438.35	10,854,785,939.26
Costs for the period	1,014,431,292.82	84,306,551.12	28,554,885.06	51,279,732.15	-37,390,566.24	1,141,181,894.91
Total segment profit	-250,235,322.59	19,444,353.99	4,876,946.91	1,704,068,433.00	2,173,543,250.16	3,651,697,661.47
Total assets	30,623,352,545.13	2,064,501,704.03	6,913,898.10	13,522,296,207.25	-7,279,547,081.99	38,937,517,272.52
Total liabilities	22,090,341,836.39	1,918,764,686.43	1,278,060.42	1,583,226,217.30	-4,207,235,765.75	21,386,375,034.79
Capital expenses	1,943,054,151.97	173,057.86	4,040,738.56	1,005,554,414.32	-211,394,261.83	2,741,428,100.88
Impairment loss recognised during current period	226,067,441.93	-532,712.85	389,464.56	3,079,529.49	100,000.00	229,103,723.13
Depreciation and amortisation expenses	330,612,861.24	5,437,575.07	9,393,645.40	55,108,094.27	4,996,418.73	405,548,594.71

2019

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance and modification business segment	Others segment	Inter-segment elimination	Total
Operating income	26,762,317,459.52	2,147,095,141.38	1,087,891,771.76	3,566,004,030.50	-11,734,305,439.39	21,829,002,963.77
Including: Revenue from external transactions	18,646,634,293.53	1,688,870,022.85	1,071,071,237.28	422,427,410.11		21,829,002,963.77
Revenue from intra-segment transactions	8,115,683,165.99	458,225,118.53	16,820,534.48	3,143,576,620.39	-11,734,305,439.39	-
Operating costs	25,981,577,606.63	2,205,298,039.03	891,261,629.55	3,635,052,650.18	-11,753,894,971.26	20,959,294,954.13
Costs for the period	1,375,066,878.52	89,752,449.89	204,489,718.49	74,875,848.30	-4,348,253.40	1,739,836,641.80
Total segment profit	1,238,196,097.35	-1,960,138.50	-86,795,267.89	19,993,831.59	-178,349,788.83	991,084,733.72
Total assets	54,882,001,047.30	1,931,003,710.99	2,479,995,610.04	12,271,989,965.59	-19,260,921,178.94	52,304,069,154.98
Total liabilities	38,624,557,614.88	1,635,740,483.65	2,555,906,327.00	2,867,459,070.47	-8,927,318,028.89	36,756,345,467.11
Capital expenses	1,745,407,690.08	8,613,153.73	37,298,958.12	8,185,219.77		1,799,505,021.70
Impairment loss recognised during current period	310,547,740.83	312,365.23	75,597.12	13,546,019.00	1,927,294.24	326,409,016.42
Depreciation and amortisation expenses	719,529,219.08	7,384,889.65	67,336,110.92	67,079,794.70	-8,661,334.47	852,668,679.88

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From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(1) Revenue from external transactions by origin of revenue

Item	Amount for the year	Amount for last year
Revenue from external transactions derived from China	8,567,403,938.20	13,527,722,627.92
Revenue from external transactions derived from other countries	3,041,056,788.50	8,301,280,335.85
Total	11,608,460,726.70	21,829,002,963.77

(2) Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China (except Hong Kong)	10,270,517,032.94	14,522,172,411.45
Hong Kong	564,100,367.58	640,462,653.28
Total	10,834,617,400.52	15,162,635,064.73

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

(4) Other important transactions and matters that have an impact on investors' decision-making

None.

(5) Others

None.

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From 1 January 2020 to 31 December 2020
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XVII. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

(1) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash		708.90
Bank deposits	342,958,485.77	83,637,480.26
Other cash at bank and on hand	400,680,909.62	30,000,000.00
Total	743,639,395.39	113,638,189.16

Breakdown of restricted cash at bank and on hand

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	390,000,000.00	30,000,000.00
Interest income from fixed deposits	10,680,909.62	
Total	400,680,909.62	30,000,000.00

(II) Financial assets held-for-trading

1. Types of financial assets held-for-trading

Type	Ending balance	Beginning balance
Financial assets classified as at fair value through profit or loss Including: Investment in debt instruments	672,125,000.00	
Investments in equity instruments		
Others	672,125,000.00	
Financial assets at fair value through profit or loss		
Total	672,125,000.00	

2. Financial assets held-for-trading are analysed as follows

Item	Fair value at the end of the year	Fair value at the beginning of the year
Listed		
Unlisted	672,125,000.00	
Total	672,125,000.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Accounts receivable

Name of item	Ending balance	Beginning balance
Accounts receivable	768,468.86	45,832,847.74
Less: Provision for bad debts	230,540.66	5,748,065.05
Net amount	537,928.20	40,084,782.69

1. The ageing analysis of accounts receivable as at the transaction date (including accounts receivable from related parties)

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year			
1-2 years			
2-3 years	768,468.86	230,540.66	30.00
Total	768,468.86	230,540.66	–

(Continued)

Ageing	Beginning balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year	35,008,531.64	44,419.49	0.13
1-2 years	2,367,186.12	6,992.82	0.30
2-3 years	89,377.87	446.89	0.50
3-4 years	200,000.00		
4-5 years			
Over 5 years	8,167,752.11	5,696,205.85	69.74
Total	45,832,847.74	5,748,065.05	–

2. Credit period of accounts receivable

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

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Breakdown of accounts receivable by the method using which the provision for bad debts is made

Type	Ending balance				Net amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis Including: Accounts receivable of which the credit risk has significantly increased since initial recognition					
Provision for bad debts made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	768,468.86	100.00	230,540.66	30.00	537,928.20
	768,468.86	100.00	230,540.66	30.00	537,928.20
Total	768,468.86	-	230,540.66	-	537,928.20

(Continued)

Type	Beginning balance				Net amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis Including: Accounts receivable of which the credit risk has significantly increased since initial recognition	5,678,918.58	12.39	5,678,918.58	100.00	
Provision for bad debts made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	40,153,929.16	87.61	69,146.47	0.17	40,084,782.69
	40,153,929.16	87.61	69,146.47	0.17	40,084,782.69
Total	45,832,847.74	-	5,748,065.05	-	40,084,782.69

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(1) Accounts receivable for which provision for bad debts is made on a collective basis

Ageing	Ending balance		Provision for bad debts
	Accounts receivable	Percentage (%)	
Aging portfolio	768,468.86	100.00	230,540.66
Total	768,468.86	100.00	230,540.66

Of which, the details of the aging portfolio are as follows:

Ageing	Ending balance		Percentage of provision (%)
	Accounts receivable	Provision for bad debts	
Within 1 year			
1-2 years			
2-3 years	768,468.86	230,540.66	30.00
Total	768,468.86	230,540.66	-

4. Provision for bad debts

Type	Beginning balance	Change in the year			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts in respect of accounts receivable	5,748,065.05	224,705.56		-5,742,229.95	230,540.66
Total	5,748,065.05	224,705.56		-5,742,229.95	230,540.66

5. Top five accounts receivable by ending balance of debtors

Name of entity	Relationship with the Company	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Guangzhou Municipal Engineering Testing Co., Ltd	Third party	768,468.86	Within 2 to 3 years	100.00	230,540.66

6. Accounts receivable derecognised arising from transfer of financial assets

None.

7. Amounts of assets and liabilities transferred from accounts receivable with continuing involvement

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(4) Prepayments

1. Ageing of prepayments

Item	Ending balance		Beginning balance	
	Item	Percentage (%)	Amount	Percentage (%)
Within one year	603,475.71	100.00	5,866,137.29	89.07
1-2 years			19,703.60	0.30
2-3 years			700,000.00	10.63
Over 3 years				
Total	603,475.71	-	6,585,840.89	-

Breakdown of significant prepayments aged over one year

Creditor	Debtor	Relationship with the Group	Ending balance	Including: Over one year	Amount aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for un-settlement
CSSC Offshore & Marine Engineering (Group) Company Limited	Guangzhou Shipyard International Company Limited	Under common control of CSSC	603,475.71	603,475.71	100.00	1-2 years	Project un-settlement

2. Top five prepayments by supplier based on ending balance

Name of entity	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
GSI	603,475.71	Within 1-2 years	100.00
Total	603,475.71	-	

(5) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		199,136.97
Other receivables	261,726.58	8,653,175.91
Total	261,726.58	8,852,312.88

1. Interest receivable

Item	Ending balance	Beginning balance
Interest on deposits of finance company		199,136.97
Total		199,136.97

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2. Other receivables

Name of item	Ending balance	Beginning balance
Other receivables	277,069.27	8,654,862.55
Less: Provision for bad debts	15,342.69	1,686.64
Net amount	261,726.58	8,653,175.91

(1) Breakdown by nature

Nature of amount	Book balance as at the end of the year	Book balance as at the beginning of the year
Temporary payments receivable	19,178.36	8,381,912.97
Refundable deposit	248,748.00	248,748.00
Reserve funds	9,142.91	24,201.58
Total	277,069.27	8,654,862.55

(2) Provision for bad debts made for other receivables

Provision for bad debts	Stage 1 Expected credit losses for next 12 months	Stage 2 Expected credit losses during the whole life span (not credit impaired)	Stage 3 Expected credit losses during the whole life span (credit impaired)	Total
Balance as at 1 January 2020		1,686.64		1,686.64
Book balance of other receivables as at 1 January 2020	-	-	-	-
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the year		13,882.05		13,882.05
Reversed during the year				
Offset during the year				
Written off during the year				
Other changes		-226.00		-226.00
Balance as at 31 December 2020		15,342.69		15,342.69

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- (i) Information on the book balance of provision for bad debts made for other receivables on a collective basis at stage 2:

Name of portfolio	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
3-4 years	19,178.36	15,342.69	80.00
Total	19,178.36	15,342.69	-

- (3) Ageing analysis of other receivables

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	9,142.91		
1-2 years	248,748.00		
2-3 years			
3-4 years	19,178.36	15,342.69	80.00
Total	277,069.27	15,342.69	-

(Continued)

Ageing	Beginning balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (including one year)	8,457,166.97	698.16	0.01
1-2 years	38,600.00	193.00	0.50
2-3 years	152,495.58	762.48	0.50
3-4 years			
4-5 years	6,600.00	33.00	0.50
Total	8,654,862.55	1,686.64	-

- (4) Provision for bad debts for other receivables

Type	Beginning balance	Change in the year			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts for other receivables	1,686.64	13,882.05		-226.00	15,342.69
Total	1,686.64	13,882.05		-226.00	15,342.69

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(5) Top five other receivables by ending balance of debtors

Name of entity	Nature of amount	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debts
China National Shipbuilding Equipment And Materials (South China) Company Limited	Deposit	248,748.00	1-2 years	89.78	
Temporary Payments receivables	Temporary payments receivables	19,178.36	3-4 years	6.92	15,342.69
Sinopec Chemical Commercial Holding Company Limited Guangdong Guangzhou Branch	Reserve funds	9,142.91	Within one year	3.30	
Total		277,069.27		100.00	15,342.69

(6) Other receivables relating to government grants

None.

(7) Other receivables derecognised arising from transfer of financial assets

None.

(8) Amount of assets and liabilities transferred from other receivables with continuing involvement

None.

(9) Advance to employees receivable

None.

(6) Inventories

1. Breakdown of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials				12,654,464.93		12,654,464.93
Finished goods				21,946,756.31		21,946,756.31
Contract performance cost	18,364,424.20		18,364,424.20	43,195,028.91	2,038,262.76	41,156,766.15
Goods in transit				2,286,148.77		2,286,148.77
Total	18,364,424.20		18,364,424.20	80,082,398.92	2,038,262.76	78,044,136.16

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From 1 January 2020 to 31 December 2020

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2. Provision for impairment of inventories and provision for impairment of contract performance cost

Item	Beginning balance	Increase for the year		Decrease for the year		Ending balance
		Provision made	Others	Reversal or writing-off	Other transfer-out	
Raw materials		445,689.13		445,689.13		
Self-made semi-finished products and products in progress		1,848,261.70		1,848,261.70		
Finished goods		286,613.34		286,613.34		
Contract performance cost	2,038,262.76			2,038,262.76		
Total	2,038,262.76	2,580,564.17		4,618,826.93		

3. Provision for impairment of inventories made

Item	Basis for determination of net realisable value	Reason for reversal or offsetting during the year
Raw materials	Book cost higher than net realisable value (estimated disposal proceeds less taxes)	Production and reuse
Finished goods	Book cost higher than net realisable value (Estimated selling price less taxes)	Completed for sale
Contract performance cost	Book cost higher than net realisable value (Estimated selling price less related costs and expenses)	Completed for sale

(7) Non-current assets due within one year

Item	Ending balance	Beginning balance	Remarks
Borrowing and repayment on a consolidated basis due within one year	600,293,333.34	200,000,000.00	
Entrusted loans due within one year	235,245,444.46	70,000,000.00	Note
Total	835,538,777.80	270,000,000.00	

Note: Long-term entrusted loans due within one year represented borrowings to subsidiaries.

(8) Other current assets

Item	Ending balance	Beginning balance
Short-term entrusted wealth management	42,669,414.34	44,609,360.00
Value-added tax and input tax to be offset		200,000,000.00
Short-term borrowing and repayment on a consolidated basis		
Total	42,669,414.34	244,609,360.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(9) Long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for impairments	Carrying value	Book balance	Provision for impairments	Carrying value	
Borrowing and repayment on a consolidated basis				600,000,000.00		600,000,000.00	
Total				600,000,000.00		600,000,000.00	

(10) Long-term equity investments

1. Breakdown of long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	3,171,466,036.56		3,171,466,036.56	7,232,881,238.66		7,232,881,238.66
Investments in associates	3,167,509,541.67		3,167,509,541.67	640,905,015.33		640,905,015.33
Total	6,338,975,578.23		6,338,975,578.23	7,873,786,253.99		7,873,786,253.99

(1) Investments in subsidiaries

Investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Provision for impairment made during the year	Ending balance of provision for impairment
GSI	4,061,415,202.10		4,061,415,202.10			
Huangpu Wenchong	3,171,466,036.56			3,171,466,036.56		
Total	7,232,881,238.66		4,061,415,202.10	3,171,466,036.56		

(2) Investments in associates

Investee	Beginning balance	Changes in the period							Ending balance	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognised using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision for impairment made		
GSI				10,631,325.09	-2,195,518.19	812,569.08		3,158,261,165.69	3,167,509,541.67	
Chengli Yangzhou	640,905,015.33			220,859.20				-541,125,874.53		
Total	640,905,015.33			10,852,184.29	-2,195,518.19	812,569.08		2,517,135,291.16	3,167,509,541.67	

Note: On 1 March 2020, the Company loss its control over GSI due to disposal of certain equity, the Company was able to have significant influence on GSI after the disposal, and therefore, it used the equity method for accounting, and which is used for adjustment when deemed to be acquired.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020
(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Unlisted	6,338,975,578.23	7,873,786,253.99
Total	6,338,975,578.23	7,873,786,253.99

(11) Investment in other equity instruments

1. Breakdown of investment in other equity instruments

Item	Ending balance	Beginning balance
Investment in other equity instruments Including: At fair value through other comprehensive income	3,847,485,064.04 3,847,485,064.04	
Total	3,847,485,064.04	

2. Analysis of investments in other equity instruments

Item	Ending balance	Beginning balance
Listed Including: China (except Hong Kong)	3,847,485,064.04 3,847,485,064.04	
Total	3,847,485,064.04	

3. Breakdown of other equity instruments

Item	Ending balance			Beginning balance		
	Book cost	Change in fair value	Carrying value	Book cost	Change in fair value	Carrying value
Sub-total of listed	2,857,883,200.00	989,601,864.04	3,847,485,064.04			
CSSC Holdings	2,857,883,200.00	989,601,864.04	3,847,485,064.04			
Total	2,857,883,200.00	989,601,864.04	3,847,485,064.04			

4. Information on investments in equity instruments not held-for-trading

Item	Dividend income recognized during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Sub-total of listed		989,601,864.04				
CSSC Holdings		989,601,864.04			Investments not held-for-trading	
Total		989,601,864.04				

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(XII) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance		
2. Increase for the year	157,433,262.96	157,433,262.96
(1) Transfer from fixed assets	157,433,262.96	157,433,262.96
3. Decrease for the year		
4. Ending balance	157,433,262.96	157,433,262.96
II. Provision amortisation		
1. Beginning balance		
2. Increase for the year	8,171,781.30	8,171,781.30
(1) Transfer from fixed assets	8,171,781.30	8,171,781.30
3. Decrease for the year		
4. Ending balance	8,171,781.30	8,171,781.30
III. Carrying value		
1. Carrying value at the end of the year	149,261,481.66	149,261,481.66
2. Carrying value at the beginning of the year		

(1) The depreciation and amortization of investment properties recognized in profit and loss during the year is RMB0 (last year: RMB0).

(2) The provision for impairment of investment properties made for the year is RMB0.00 (last year: RMB0).

(3) Investment properties analyzed by region and ageing are as follows

Item	Ending balance	Beginning balance
Within China	149,261,481.66	
Medium term (10-50 years)	149,261,481.66	
Total	149,261,481.66	

2. Investment properties without property ownership certificates

As at the end of the year, included in investment properties were properties with carrying amount of RMB149,261,481.66 for which the property ownership certificates were being applied for. Given the aforesaid properties were in compliance with the relevant legal procedures, the Board believes that the transfer of its title will not meet any substantial obstacle or affect their normal use by the Company and will have no material impact on the normal operation of the Group. As such, no provision for impairment is required for investment properties and there will be no additional material costs.

Item	Carrying value	Reason for failure to obtain property ownership certificates
Hull joint Workshop	80,837,019.45	In the process of obtaining ownership certificates
Component welding workshop	64,706,567.07	In the process of obtaining ownership certificates
Sanding and coating workshop	3,717,895.14	In the process of obtaining ownership certificates
Total	149,261,481.66	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(13) Fixed assets

1. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning balance	529,139,712.84	18,277,342.62	921,168.58	1,189,412.86	549,527,636.90
2. Increase for the year				115,025.51	115,025.51
(1) Purchase				115,025.51	115,025.51
3. Decrease for the year	289,039,531.28	18,277,342.62	360,945.50	35,221.24	307,713,040.64
(1) Disposal or retirement	131,606,268.32	18,277,342.62	360,945.50	35,221.24	150,279,777.68
(2) Rent out	157,433,262.96				157,433,262.96
4. Ending balance	240,100,181.56		560,223.08	1,269,217.13	241,929,621.77
II. Accumulated depreciation					
1. Beginning balance	86,291,446.27	14,903,410.17	476,478.56	420,236.11	102,091,571.11
2. Increase for the year	17,228,667.31	66,646.89	56,640.59	224,134.62	17,576,089.41
(1) Provision made	17,228,667.31	66,646.89	56,640.59	224,134.62	17,576,089.41
3. Decrease for the year	92,283,230.61	14,970,057.06	286,478.30	2,230.68	107,541,996.65
(1) Disposal or retirement	84,111,449.31	14,970,057.06	286,478.30	2,230.68	99,370,215.35
(2) Rent out	8,171,781.30				8,171,781.30
4. Ending balance	11,236,882.97		246,640.85	642,140.05	12,125,663.87
III. Carrying value					
1. Carrying value at the end of the year	228,863,298.59		313,582.23	627,077.08	229,803,957.90
2. Carrying value at the beginning of the year	442,848,266.57	3,373,932.45	444,690.02	769,176.75	447,436,065.79

Note: The depreciation of fixed assets recognized in profit or loss during the current year is RMB17,576,089.41 (last year: RMB8,651,807.51); Among the fixed assets added during the current year, the amount transferred from construction in progress is RMB0.

(2) Buildings and structures analysed by region and term:

Item	Ending balance	Beginning balance
Within China	228,863,298.59	442,848,266.57
Medium term (10-50 years)	228,863,298.59	442,848,266.57
Total	228,863,298.59	442,848,266.57

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(14) Right-of-use assets

Item	Buildings and Structures	Machinery and equipment	Total
I. Original carrying value			
1. Beginning balance	2,730,577.09		2,730,577.09
2. Increase for the year			
3. Decrease for the year			
4. Ending balance	2,730,577.09		2,730,577.09
II. Accumulated depreciation			
1. Beginning balance	834,342.96		834,342.96
2. Increase for the year	910,192.32		910,192.32
(1) Provision made	910,192.32		910,192.32
3. Decrease for the year			
4. Ending balance	1,744,535.28		1,744,535.28
III. Carrying value			
1. Carrying value at the end of the year	986,041.81		986,041.81
2. Carrying value at the beginning of the year	1,896,234.13		1,896,234.13

Other explanations: The depreciation of right-of-use assets recognized in profit or loss during the current year is RMB910,192.32 (last year: RMB834,342.96).

(15) Intangible assets

1. Breakdown off intangible assets

Item	Land use rights	Total
I. Original carrying amount		
1. Beginning balance	14,780,508.50	14,780,508.50
2. Increase for the year		
3. Decrease for the year	14,780,508.50	14,780,508.50
(1) Disposal	14,780,508.50	14,780,508.50
4. Ending balance		
II. Accumulated amortisation		
1. Beginning balance	4,619,401.21	4,619,401.21
2. Increase for the year	22,516.22	22,516.22
(1) Provision made	22,516.22	22,516.22
3. Decrease for the year	4,641,917.43	4,641,917.43
(1) Disposal	4,641,917.43	4,641,917.43
4. Ending balance		
III. Carrying value		
1. Carrying value at the end of the year		
2. Carrying value at the beginning of the year	10,161,107.29	10,161,107.29

Other explanations:

- (1) There were no intangible assets arising from internal research and development of the Company during the year.
- (2) The depreciation and amortization of intangible assets recognized in profit or loss during the current year is RMB22,516.22 (last year: RMB307,619.45).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Land use rights analysed by region and term:

Item	Ending balance	Beginning balance
Within China		10,161,107.29
Medium term (10-50 years)		10,161,107.29
Total		10,161,107.29

2. Land use right without property ownership certificates

None.

(16) Long-term prepaid expenses

Item	Beginning balance	Increase for the year	Amortisation for the year	Other decreases for the year	Ending balance
Renovation of Ship Building's office	720,906.87		346,035.36		374,871.51
Total	720,906.87		346,035.36		374,871.51

(17) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deferred tax assets	Deductible temporary difference
Deductible tax loss			20,000,000.00	80,000,000.00
Total			20,000,000.00	80,000,000.00

2. Unrecognized deferred tax liabilities

Item	Ending balance		Beginning balance	
	Deferred tax assets	Deductible temporary difference	Deferred tax assets	Deductible temporary difference
Change in fair value of investments in equity instruments	247,400,466.01	989,601,864.04		
Change in fair value of financial assets held-for-trading	531,250.00	2,125,000.00		
Total	247,931,716.01	991,726,864.04		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	245,883.35	7,788,014.45
Deductible tax loss	84,334,851.03	412,389,806.14
Total	84,580,734.38	420,177,820.59

4. Deductible loss for which no deferred tax assets are recognised will become due in the following years

Year	Ending balance	Beginning balance
2020		328,054,955.11
2021	51,262,939.86	51,262,939.86
2022		
2023	20,260,970.07	20,260,970.07
2024	12,810,941.10	12,810,941.10
Total	84,334,851.03	412,389,806.14

(18) Other non-current assets

Item	Ending balance	Ending balance
Long-term entrusted loans		420,000,000.00
Relocation expenses to be written off		16,902,001.36
Total		436,902,001.36

(19) Short-term borrowings

Short-term borrowings by category

Type of borrowings	Ending balance	Beginning balance
Credit loans		200,000,000.00
Total		200,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(20) Notes and accounts payable

1. Accounts payable by category

Item	Ending balance	Beginning balance
Materials purchased	3,376,470.12	45,197,932.54
Payment for projects under construction	128,518,926.14	128,518,926.14
Retention money	15,055,956.39	1,224,706.20
Other construction and labour services	1,573,144.68	4,970,431.30
Total	148,524,497.33	179,911,996.18

2. The ageing analysis of accounts payable as at the transaction date is as follows:

Ageing	Ending balance	Beginning balance
Within one year	19,078,260.30	170,174,746.13
1-2 years	129,446,237.03	136,110.00
2-3 years		
Over 3 years		9,601,140.05
Total	148,524,497.33	179,911,996.18

3. Significant accounts payable aged over one year

Name of entity	Ending balance	Reason for unsettlement or carrying forward
CSSC Huangpu Wenchong Shipbuilding Company Limited	128,518,926.14	Not yet due
Total	128,518,926.14	

(21) Advances from customers

Item	Ending balance	Beginning balance
Rent received in advance	7,855,200.00	
Total	7,855,200.00	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(22) Contract liabilities

1. Contract liabilities

Item	Ending balance	Beginning balance
Electromechanical products and other contractual receivables in advance	15,419,870.53	59,818,924.73
Total	15,419,870.53	59,818,924.73

Other explanations: Included in the carrying value of contract liabilities at the beginning of the year was income recognized of RMB10,309,200.00.

2. Amount and reason for significant changes in carrying value during the Reporting Period

Item	Amount of change	Reason for change
Electromechanical products and other contractual receivables in advance	-44,399,054.20	There was a difference between the collection progress and the progress of revenue confirmation, resulting a decrease in the balance of contract liabilities.
Total	-44,399,054.20	-

(23) Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term remuneration		10,861,342.67	10,861,342.67	
Post-employment benefits				
– defined contribution plans		155,188.56	155,188.56	
Retirement benefits		1,301,428.60	1,301,428.60	
Total		12,317,959.83	12,317,959.83	

(2) Short-term remuneration

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Salaries, bonuses, allowances and subsidies		7,328,250.28	7,328,250.28	
Employee benefits		504,635.22	504,635.22	
Social insurance contribution		355,621.97	355,621.97	
Including: Medical insurance contribution		302,954.43	302,954.43	
Work-related injury insurance contribution		1,969.90	1,969.90	
Maternity insurance contribution		50,697.64	50,697.64	
Housing fund		714,876.00	714,876.00	
Labour union & employee education funds		266,846.12	266,846.12	
Outsourcing labour costs and other		1,691,113.08	1,691,113.08	
Total		10,861,342.67	10,861,342.67	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

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(3) Defined contribution plans

As required, the Company participates in the social insurance plans established by the government authorities. The Company makes contributions to these plans as required by local governments. The Company has no further payment obligations other than the contributions. The relevant expenses are included in current profit or loss or as the cost of the relevant assets.

The pension and unemployment plan contributions made by the Company during the year were as follows:

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic pension insurance		146,261.64	146,261.64	
Unemployment insurance contribution		8,926.92	8,926.92	
Total		155,188.56	155,188.56	

Other explanations: As at the end of the year, all planned pension and unemployment insurance contributions of the Company had been made.

(24) Taxes payable

Item	Ending balance	Beginning balance
Value added tax		2,124,503.04
City maintenance and construction tax	2,576.70	148,715.21
Property tax	156,387.36	
Land use tax	919.92	
Individual income tax	596,188.90	420,748.60
Educational surcharge	1,840.50	106,225.15
Other taxes		1,900.60
Total	757,913.38	2,802,092.60

(25) Other payables

Item	Ending balance	Beginning balance
Interest payable		565,277.78
Dividends payable	304,042.49	304,042.49
Other payables	139,024.77	52,727,443.33
Total	443,067.26	53,596,763.60

(1) Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings for which the interest is paid in instalments and the principal is repaid when due		452,222.22
Interest payable on short-term borrowings		113,055.56
Total		565,277.78

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From 1 January 2020 to 31 December 2020

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(2) Dividends payable

Item	Ending balance	Beginning balance
Dividends payable for A shares	66,091.17	66,091.17
Dividends payable for H shares	237,951.32	237,951.32
Total	304,042.49	304,042.49

(3) Other payables

Other payables by category

Nature of amount	Ending balance	Beginning balance
Payables for temporary receipts	139,024.77	51,977,443.33
Deposits received		750,000.00
Total	139,024.77	52,727,443.33

(26) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	600,293,333.34	200,000,000.00
Lease liabilities due within 1 year	1,009,781.05	898,274.92
Total	601,303,114.39	200,898,274.92

(27) Other current liabilities

Item	Ending balance	Beginning balance
Output value-added tax payable		30,817.60
Total		30,817.60

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(28) Long term borrowings

Type of borrowings	Ending balance	Beginning balance
Guaranteed borrowings	600,293,333.34	800,000,000.00
Total	600,293,333.34	800,000,000.00
The carrying amount of the above borrowings shall be repaid:		
Within one year	600,293,333.34	200,000,000.00
Over one year but less than two years after balance sheet date		600,000,000.00
Less: Amount due within one year, as shown under current liabilities	600,293,333.34	200,000,000.00
Amount shown under non current liabilities		600,000,000.00

Other explanations: As at the end of the year, weighted average annual interest rate of long-term borrowings was 1.76%.

(29) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment	1,119,988.61	2,076,788.62
Less: Unrecognized financing costs	23,826.12	82,351.21
Less: Lease liabilities due within one year	1,009,781.05	898,274.92
Total	86,381.44	1,096,162.49

(30) Long-term payables

Item	Ending balance	Beginning balance
Special payables		99,370,000.00
Total		99,370,000.00

(31) Share capital

For details of this item, please see Note V (41).

(32) Capital reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Share premium	6,147,344,797.85	99,370,000.00		6,246,714,797.85
Other capital reserve	582,931.25	2,188,776,840.47		2,189,359,771.72
Total	6,147,927,729.10	2,288,146,840.47		8,436,074,569.57

Other explanations: The increase in share premium during the current year was due to the transfer from special payables; the increase in other capital reserves during the current year was due to the change in the investee's other equity of RMB812,569.08 during the year, which was verified by equity method and recognized on a pro-rata basis, as well as the loss its control over GSI due to disposal of certain equity from cost method to equity method adjustment increase by RMB2,187,964,271.39.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(33) Other comprehensive income

Item	Beginning balance	Retrospective adjustments made on equity method of long-term equity investments	Amount for the year			Ending balance
			Amount before tax	Less: Income tax expense	Net after tax	
Other comprehensive income that may not be subsequently reclassified to profit and loss		-1,891,574.80	987,406,345.85	247,400,466.01	740,005,879.84	738,114,305.04
Including: Other comprehensive income that cannot be transferred to profit or loss under the equity method		-1,891,574.80	-2,195,518.19		-2,195,518.19	-4,087,092.99
Change in fair value of investments in other equity instruments			989,601,864.04	247,400,466.01	742,201,398.03	742,201,398.03
Total other comprehensive income		-1,891,574.80	987,406,345.85	247,400,466.01	740,005,879.84	738,114,305.04

(34) Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	454,099,692.72	79,792,823.53		533,892,516.25
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	472,681,889.15	79,792,823.53		552,474,712.68

(35) Undistributed profit

Item	Current year	Last year
Undistributed profit as at the end of last year	721,076,162.84	720,977,633.51
Increase during the current year	76,852,072.43	109,477.03
Add: Beginning adjustment to Undistributed profit	1,655,432,349.19	109,477.03
Other adjustments	-1,578,580,276.76	
Decrease during the current year	79,792,823.53	10,947.70
Less: Statutory surplus reserve set aside	79,792,823.53	10,947.70
Undistributed profit as at the end of the year	718,135,411.74	721,076,162.84

Other explanations: Other adjustments were adjustment for the loss its control over GSI due to disposal of certain equity from cost method to equity method.

(36) Net current assets

Item	Ending balance	Beginning balance
Current assets	2,313,740,142.22	761,814,621.78
Less: Current liabilities	774,303,662.89	697,058,869.63
Net current assets	1,539,436,479.33	64,755,752.15

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(37) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	12,880,627,137.37	10,152,717,191.21
Less: Current liabilities	774,303,662.89	697,058,869.63
Total assets less current liabilities	12,106,323,474.48	9,455,658,321.58

(38) Borrowings

Details of the borrowings of the Company are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings		200,000,000.00
Non-current liabilities due within one year	600,293,333.34	200,000,000.00
Long-term borrowings		600,000,000.00
Total	600,293,333.34	1,000,000,000.00

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
— Bank borrowings repayable within 5 years	600,293,333.34	1,000,000,000.00
Total	600,293,333.34	1,000,000,000.00

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	600,293,333.34	400,000,000.00
1-2 years		600,000,000.00
Total	600,293,333.34	1,000,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(39) Operating income & Operating costs

(1) Information on operating income and operating cost

Item	Current year	Last year
Income from principal business	85,623,801.70	155,878,507.57
Income from other business	25,197,600.00	22,715,493.17
Total	110,821,401.70	178,594,000.74
Costs of principal business	86,422,509.84	163,697,260.77
Costs of other business	16,514,414.16	4,735,248.08
Total	102,936,924.00	168,432,508.85

Gross profit from principal business

Item	Current year	Last year
Income from principal business	85,623,801.70	155,878,507.57
Costs of principal business	86,422,509.84	163,697,260.77
Gross profit	-798,708.14	-7,818,753.20

(1) Principal business — by product

Product name	Amount for the year	Amount for last year
Operating income:		
Electromechanical products and others	85,623,801.70	155,878,507.57
Total	85,623,801.70	155,878,507.57
Operating costs:		
Electromechanical products and others	86,422,509.84	163,697,260.77
Total	86,422,509.84	163,697,260.77

(2) Principal business — by region

Item	Amount for the year	Amount for last year
Operating income:		
China (including Hong Kong, Macau and Taiwan)	85,623,801.70	155,878,507.57
Total	85,623,801.70	155,878,507.57
Operating costs:		
China (including Hong Kong, Macau and Taiwan)	86,422,509.84	163,697,260.77
Total	86,422,509.84	163,697,260.77

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3) Other operating income and other operating costs

Product name	Amount for the year	Amount for last year
Income from other business		
Sales of scrap materials		4,949,338.42
Lease	25,197,600.00	6,445,399.99
Others		11,320,754.76
Total	25,197,600.00	22,715,493.17
Costs of other business		
Sales of scrap materials		
Lease	16,514,414.16	4,735,248.08
Others		
Total	16,514,414.16	4,735,248.08

(2) Top five customers by operating income

Customers	Relationship with the Group	Current year	Percentage of total income from principal business (%)
Guangdong GSI Elevator Co., Ltd.	Under common control of CSSC	70,255,251.15	82.05
Guangzhou Shipyard International Company Limited	Under common control of CSSC	4,751,953.37	5.55
Huizhou JENTIUM Equipment Co., Ltd.	Third party	2,336,513.27	2.73
Zhuhai Nan'an Plastic Products Co., Ltd.	Third party	2,106,194.69	2.46
Kingboard (Lian Zhou) Copper Foil Limited	Third party	1,925,840.70	2.25
Total		81,375,753.18	95.04

(3) Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount	Percentage of cost of principal business (%)
Foshan Shunde Bogang Metal Trading Co., Ltd.	Third party	2,181,232.83	2.52
Guangzhou Jin Jiefu Products Co., Ltd.	Third party	1,320,227.59	1.53
Foshan Shunde Cheng Jiang Hui Metal Materials Co, Ltd.	Third party	1,018,385.96	1.18
Guangzhou Zhuoneng Steel Structures Company Limited	Third party	606,015.97	0.70
Guangzhou Jiaying Metal Products Co., Ltd.	Third party	397,053.10	0.46
Total		5,522,915.45	6.39

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(40) Taxes and surcharges

Item	Current year	Last year
Property tax	1,596,364.28	1,429,545.56
Land use tax	53,871.08	276,340.80
City maintenance and construction tax	701,218.81	576,273.03
Educational surcharge	500,870.58	411,623.59
Stamp duty	2,509,354.30	389,693.65
Vehicle and vessel usage tax	1,560.00	2,915.76
Total	5,363,239.05	3,086,392.39

(41) Selling expenses

Item	Current year	Last year
Transportation fees	272,398.68	1,361,000.15
Advertising fee		48,137.56
Sales service fee		1,002.83
Employee benefits		498,285.20
Business expenditure	7,332.64	392,369.29
Others		3,113.20
Total	279,731.32	2,303,908.23

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(42) Administrative expenses

Item	Current year	Last year
Employee benefits	10,281,331.41	10,034,699.91
Board meeting fee	5,036,691.53	3,537,577.65
Depreciation charge	1,805,785.90	398,019.08
Intermediary expense	689,416.17	458,941.06
Repairing expenses	511,480.44	1,038,984.49
Logistics service fees	280,495.44	244,830.95
Project expenses	235,918.56	13,949,397.78
Travelling expense	218,266.31	312,262.37
Office expense	176,860.22	161,911.32
Information management fee	169,303.27	195,032.80
Utilities expense	130,475.50	225,195.14
Business entertainment expense	128,316.00	153,989.90
Litigation fees	101,330.92	58,899.04
Amortisation of intangible assets	22,516.22	135,097.32
Others	537,213.39	2,150,031.55
Total	20,325,401.28	33,054,870.36

(43) Finance costs

Item	Current year	Last year
Interest expense	13,724,497.29	25,944,447.57
Less: Interest income	36,198,104.00	53,806,498.36
Add: Exchange net losses	551.68	-74,020.69
Other expenses	16,559.21	65,805.04
Total	-22,456,495.82	-27,870,266.44

(1) Breakdown of interest expenses

Item	Current year	Last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years	13,665,972.23	25,863,444.44
Interest on lease liabilities	58,525.06	81,003.13
Total	13,724,497.29	25,944,447.57

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	13,962,582.37	1,598,085.37
Interest income from account receivables	22,235,521.63	52,208,412.99
Total	36,198,104.00	53,806,498.36

(44) Other income

Item	Amount for the year	Amount for last year
Government grants related to daily operating activities	88,440.00	142,360.00
Refund of handling fee for withholding individual income tax	16,405.59	9,112.40
Veterans tax incentives		7,500.00
Total	104,845.59	158,972.40

Including: breakdown of government grants related to daily operating activities

Item	Amount for the year	Amount for last year	Source and basis	Relating to assets/relating to revenue
Subsidies for basic electricity charges of transformer capacity in large industrial enterprises	88,440.00	142,360.00	National government subsidy	Relating to assets

(45) Investment income

Item	Amount for the year	Amount for last year
Gain on long-term equity investments accounted for using equity method	10,852,184.29	2,838,844.99
Investment income from disposal of long-term equity investments	1,669,942,669.23	-2,570,199.97
Investment income from disposal of financial assets held-for-trading	4,051,068.49	
Total	1,684,845,922.01	268,645.02

Other explanations: The investment income from non-listed investments for the current year amounted to RMB1,684,845,922.01 (last year: RMB268,645.02).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(46) Gain/loss on change in fair value

Source of gain on change in fair value	Amount for the year	Amount for last year
Financial assets held-for-trading	2,125,000.00	

(47) Credit impairment loss

Item	Amount for the year	Amount for last year
Loss on bad debts of notes and accounts receivable	-224,705.56	-416,003.97
Loss on bad debts of other receivables	-13,882.05	2,262.43
Total	-238,587.61	-413,741.54

(48) Loss on impairment of assets

Item	Amount for the year	Amount for last year
Loss on impairment of inventories	-2,580,564.17	

(49) Gain on disposal of assets

Item	Amount for the year	Amount for the last year	Amount included in non-recurring gains and losses for current period
Gains or losses from the disposal of fixed assets and intangible assets	-12,675,578.87	171,396.31	-12,675,578.87

(50) Non-operating income

Breakdown of non-operating income

Item	Current year	Last year	Amount included in non-recurring gains and losses for current period
Contract breach compensation		930,030.43	
Gain on retirement of damaged non-current assets		7,453.60	
Others	46,985.38	270.00	46,985.38
Total	46,985.38	937,754.03	46,985.38

Other explanations: The amount included in non-recurring gains and losses for the year was RMB46,985.38 (last year: RMB937,754.03).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(51) Non-operating expenses

Item	Current year	Last year	Amount included in non-recurring gains and losses for current period
Total losses on disposal of non-current assets			
External donations	30,000.00	20,000.00	30,000.00
Others	7,025.01	580,136.54	7,025.01
Total	37,025.01	600,136.54	37,025.01

Other explanations: The amount included in non-recurring gains and losses for the year was RMB37,025.01 (last year: RMB600,136.54).

(52) Income tax expense

1. Breakdown of income tax expense

Item	Amount for the year	Amount for last year
Current income tax-PRC enterprise income tax		
1. China		
2. Hong Kong		
3. Macau income tax		
Deferred income tax	20,531,250.00	
Total	20,531,250.00	

2. Reconciliation process between accounting profit and income tax expenses

Item	Amount
Total profit	1,675,963,599.19
Income tax expenses calculated at statutory/applicable tax rate	418,990,899.80
Impact of non-taxable income	-339,522,232.01
Impact of non-deductible costs, expenses and losses	22,821.12
Impact of utilisation of deductible temporary differences for which no deferred tax assets or deductible loss were previously recognised	-77,074,706.13
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current year	18,114,467.22
Income tax expense	20,531,250.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(53) Depreciation and amortisation

Item	Current year	Last year
Depreciation of fixed assets	17,576,089.41	8,651,807.51
Depreciation of right-of-use assets	910,192.32	834,342.96
Amortization of intangible assets	22,516.22	307,619.45
Amortization of long-term prepaid expenses	346,035.36	201,853.96
Total	18,854,833.31	9,995,623.88

(54) Gain (or loss) on disposal of investments or properties

The profit from the sale of investment or property for the year of RMB1,669,942,669.23 (last year: RMB2,570,199.97).

(55) Operating rental expense

The operating rental expense during the year was RMB1,515,984.51 (last year: RMB817,142.81), of which rental expense for machinery and equipment is RMB559,184.53 (last year: RMB0).

(56) Rental income

Operating rental income for the year is RMB25,197,600.00 (last year: RMB6,445,399.99), including rental income from land and buildings of RMB25,197,600.00 (last year: RMB6,445,399.99)

(57) Supplementary information on consolidated income statement

The breakdown of expenses (including operating costs, selling expenses, administrative expenses and research and development expenses) by nature is as follows:

Item	Current year	Last year
Raw materials consumed	77,827,527.92	81,020,229.20
Employee compensation expenses	12,317,959.83	52,011,959.16
Depreciation expenses	18,486,281.73	9,486,150.47
Amortisation expenses	368,551.58	509,473.41
Fuel power fee	175,687.25	5,920,850.00
Others	14,366,048.29	54,842,625.20
Total	123,542,056.60	203,791,287.44

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(58) Items in the cash flow statement of the parent company

(1) Other cash receipts/payments relating to operating/investing /financing activities

1) Other cash receipts relating to operating activities

Item	Current year	Last year
Government grants	104,845.59	142,360.00
Other non-operating income	1,382.00	930,300.43
Receipt/recovery of deposit and margin		328,500.00
Interest income from demand bank deposit	1,354,723.91	1,598,085.37
Other current account	12,073,341.90	6,190,370.84
Insurance claims		333,839.00
Recovery of economic compensation paid for others		28,300,000.00
Total	13,534,293.40	37,823,455.64

2) Other cash payments relating to operating activities

Item	Current year	Last year
Administrative expense	7,960,108.52	24,940,452.34
Selling expenses	4,978.31	2,303,908.23
Bank charges	16,623.40	65,805.04
Non-operating expenses	7,025.01	600,136.54
Deposit and margin paid		248,748.00
Reserve funds	363,108.47	1,038,163.19
Payment of other current accounts	60,206,211.94	2,396,949.24
One-off lay-off economic compensation paid		26,200,264.10
Total	68,558,055.65	57,794,426.68

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3) *Other cash receipts relating to investing activities*

Item	Current year	Last year
Release of pledge on fixed deposits	30,000,000.00	30,000,000.00
Interest income on fixed deposits	273,000.00	273,320.83
Collection of loans made and settled on a consolidated basis	400,000,000.00	650,000,000.00
Collection of interest on loans made and settled on a consolidated basis and interest on entrusted loans	25,286,250.01	54,265,604.14
Recovery of principal of entrusted loans	255,000,000.00	330,000,000.00
Income from compensation for relocation	46,999,059.44	
Income from compensation for land parcel storage	126,570,985.16	
Total	884,129,294.61	1,064,538,924.97

4) *Other cash payments relating to investing activities*

Item	Current year	Last year
Pledge of fixed deposit of 3 months and above	390,000,000.00	60,000,000.00
Payment of loans to subsidiaries made and settled on a consolidated basis		1,000,000,000.00
Grant of entrusted loans to subsidiaries		100,000,000.00
Relocation expenses	96,201,250.62	
Total	486,201,250.62	1,160,000,000.00

(5) *Other cash payments relating to financing activities*

Item	Amount for the period	Amount for the last period
Leased asset expenses	1,004,937.14	817,142.81
Total	1,004,937.14	817,142.81

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Supplementary information on cash flow statement

Item	Current year	Last year
Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,655,432,349.19	109,477.03
Add: Provision for impairment of assets	2,580,564.17	
Credit impairment loss (new financial standard)	238,587.61	413,741.54
Depreciation of fixed assets	17,576,089.41	8,651,807.51
Depreciation of right-to-use assets	910,192.32	834,342.96
Amortisation of intangible assets	22,516.22	307,619.45
Amortisation of long-term prepaid expenses	346,035.36	201,853.96
Loss on disposal of fixed assets, intangible assets and other long-term assets	12,675,578.87	-171,396.31
Loss on retirement of fixed assets Loss on changes in fair value		-7,453.60
Loss on changes in fair value	-2,125,000.00	
Finance cost	-22,999,131.71	-26,337,986.11
Loss on investments	-1,684,845,922.01	-268,645.02
Decrease in deferred tax assets	20,000,000.00	
Increase in deferred tax liabilities	531,250.00	
Decrease in inventories	61,717,974.72	21,922,144.95
Decrease in operating receivables	59,424,537.34	2,212,253.90
Increase in operating payables	-142,970,897.81	1,013,703.60
Others		
Net cash flows from operating activities	-21,485,276.32	8,881,463.86
Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
Net changes in cash and cash equivalents:		
Cash balance at the end of the year	342,958,485.77	83,638,189.16
Less: Cash balance at the beginning of the year	83,638,189.16	99,371,121.05
Add: Balance of cash equivalents at the end of the year		
Less: Balance of cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	259,320,296.61	-15,732,931.89

(3) Compositions of cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	342,958,485.77	83,638,189.16
Including: Cash on hand		708.90
Bank deposits available for use on demand	342,958,485.77	83,637,480.26
Other cash at bank and on hand for use on demand		
Cash equivalents		
Cash and cash equivalents at the end of the year	342,958,485.77	83,638,189.16

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

XVI. SUPPLEMENTAL INFORMATION ON FINANCIAL STATEMENTS

1. Breakdown of non-recurring gains and losses for the year

- (1) According to the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-recurring Gains and Losses (2008) issued by China Securities Regulatory Commission, the non-recurring gains and losses of the Group for the year were as follows:

Item	Current year	Explanation
Gain or loss on disposal of non-current assets	-13,672,719.33	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature	1,885,739.20	
Government grants included in current profit or loss	138,125,103.91	
Capital occupation fee received from non-financial entities included in current profit or loss		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures	1,760,005.87	
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or assets under management	15,467,506.84	
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs		
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current year from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		
Gain or loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation	238,754,066.99	
Reversal of the provision for impairment of receivables which are tested individually for impairment	56,631,839.83	
Gains or losses from entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	40,990,968.04	
Other gain or loss items meeting the definition of non-recurring gains or losses	3,711,462,297.66	
Sub-total	4,191,404,809.01	
Effect of income tax	-68,055,051.66	
Effect of minority interests (after tax)	-177,908,815.62	
Total	3,945,440,941.73	

Note: Other non-operating income and expenses were mainly the compensation for contract indemnification, insurance compensation and negative goodwill in business combinations not under common control. For details, please refer to Note V (63).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 31 December 2020

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) **Notes to the “Other gain or loss items meeting the definition of non-recurring gains or losses” and the non-recurring gain or loss items designated by the Company as recurring items based on the natures and features of its operation:**

(1) *Description on other gain and loss items meeting the definition of non-recurring gains or losses*

Other gain and loss items meeting the definition of non-recurring gains or losses were mainly gain arising from disposal of long-term equity investments amounted to RMB3,710,996,844.16, including the disposal of certain equity of GSI, the income from the remaining equity re-calculated at fair value after the loss of control aggregating RMB3,389,643,311.70, and the income from the disposal of equity of Chengxi Yangzhou amounted to RMB322,184,652.46.

(2) *Items defined as recurring gains or losses*

Item	Amount	Reason
Grant for insurance maintained for first piece (set)	55,242,287.51	Closely relating to operation, granted at fixed amount and on a continuous basis
Finance interest discount	19,450,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Value added tax of self produced software refund upon collection	660,173.31	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	75,352,460.82	

Note: All the aforesaid government grants are closely relating to the normal operation of the Company, subject to national policies and granted at fixed amount and on a continuous basis, and fall under non-recurring gains or losses in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-recurring Gains and Losses.

2. Returns on net assets and earnings per share

In accordance with the Explanatory Announcement No. 9 on Information Disclosure for Companies Offering Their Securities to the Public — Calculation and Disclosure of Return on Equity and Earnings Per Share (2010 revision), the weighted average return on equity, basic earnings per share and diluted earnings per share of the Group for 2020 were as follows:

Profit for the Reporting Period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	30.74	2.5910	2.5910
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	-2.38	-0.2003	-0.2003

XVII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 30 March 2021.

CSSC Offshore & Marine Engineering (Group) Company Limited

30 March 2021

SECTION XI FIVE-YEAR FINANCIAL SUMMARY

The Group's major accounting data for the last five years based on its audited financial statements is as follows:

Major accounting data	2020	2019	2018	2017	2016
Net profit	3,626,830,196.89	928,546,285.12	-2,474,150,150.26	-45,856,889.17	-75,032,167.79
Including: Net profit attributable to shareholders of the Company	3,662,334,382.03	548,320,338.54	-1,869,014,160.08	-50,507,587.08	-84,356,731.59
Minority interests	-35,504,185.14	380,225,946.58	-605,135,990.18	4,650,697.91	9,324,563.80
	As at the end of 2020	As at the end of 2019	As at the end of 2018	As at the end of 2017	As at the end of 2016
Total assets	38,937,517,272.52	52,304,069,154.98	47,475,344,086.37	46,753,104,355.82	48,752,726,789.26
Total liabilities	21,386,375,034.79	36,756,345,467.11	33,118,933,538.30	34,433,614,505.78	37,821,960,294.21
Net assets	17,551,142,237.73	15,547,723,687.87	14,356,410,548.07	12,319,489,850.04	10,930,766,495.05
Including: Net assets attributable to shareholders of the Company	14,432,091,546.69	10,148,256,838.77	9,727,437,689.21	10,809,092,281.78	10,880,779,928.54
Minority interests	3,119,050,691.04	5,399,466,849.10	4,628,972,858.86	1,510,397,568.26	49,986,566.51